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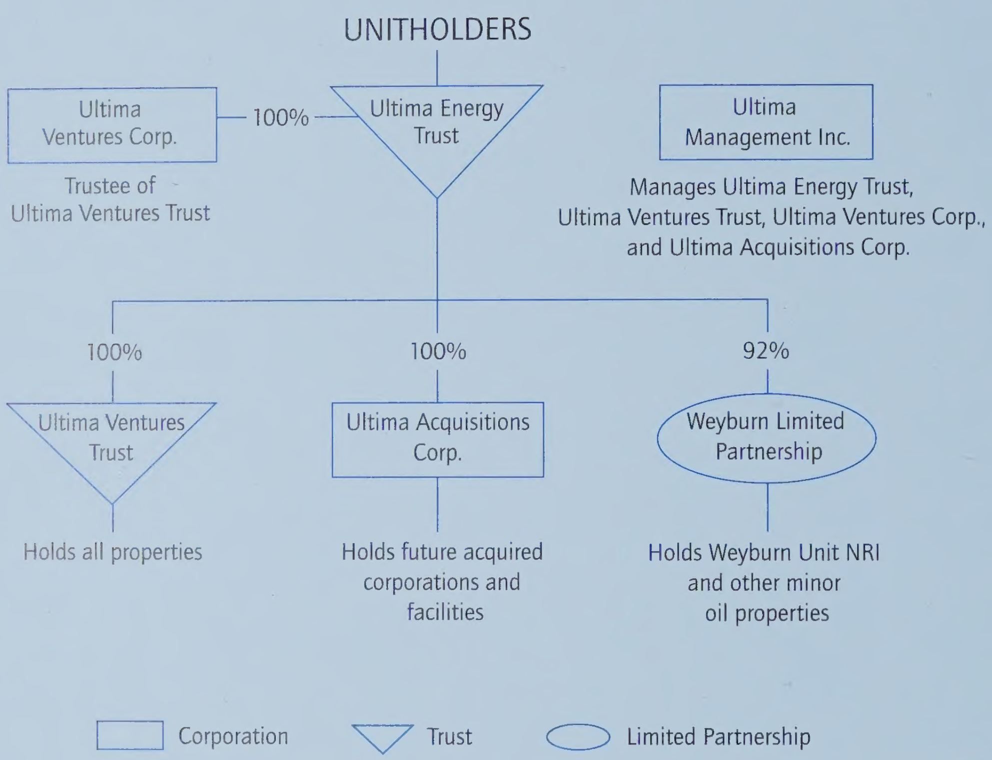
Ultima Energy Trust

capturing value

ANNUAL REPORT | 01 |



Contents

The Trust is managed by executives and staff employed by Ultima Management Inc., which provides management and administration services to the Trust pursuant to the Trust Indenture and the Management Agreement. References in this report to employees and/or their positions are solely in respect of the executives and staff of Ultima Management Inc. The Trust has no employees.

The Annual Meeting of the unitholders will be held on May 27, 2002 at 2:30 p.m. in the Wildrose South room at the Sheraton Suites Calgary Eau Claire, 255 Barclay Parade S.W., Calgary, Alberta.

ABOUT THE TRUST

Ultima Energy Trust is a Canadian oil and gas royalty trust based in Calgary, Alberta. Our growth strategy focuses on acquiring and developing crude oil and natural gas properties – with an emphasis on light crude oil. We are committed to achieving high returns for our unitholders. In fact, we delivered a total return of 32 per cent in 2001.

How do we do that? We start by identifying and capturing high potential investment opportunities that will contribute to sustained profitability. Then we maintain momentum through sound financial and operating decisions made by highly competent people.

Ultima units trade on the Toronto Stock Exchange under the symbol UET.UN. For more information, we invite you to visit our website at www.ultimatrust.com.

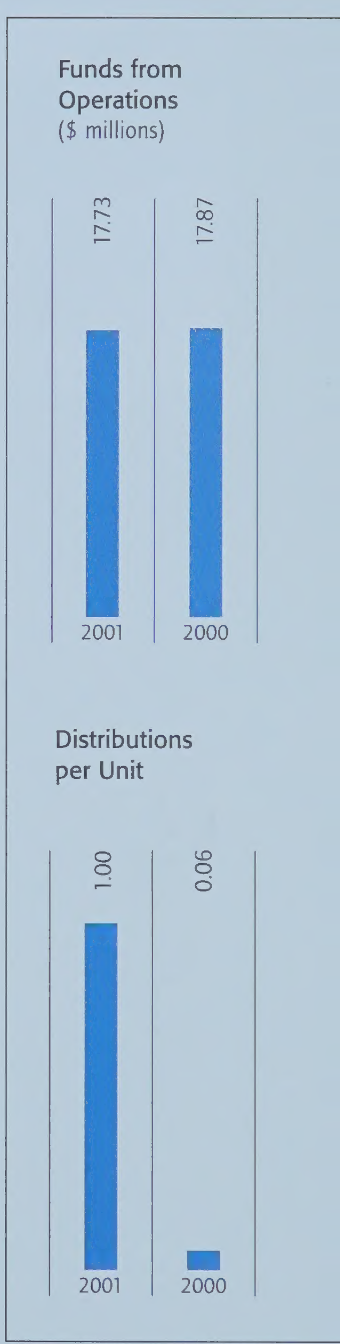
Financial
($ thousands except per unit amounts)

	2001	2000	Change
Oil and natural gas revenue	**28,397**	30,213	(1,816)
Weyburn Limited Partnership income	**3,104**	1,106	1,998
Funds from operations	**17,728**	17,866	(138)
Per unit – basic	**1.17**	1.47	(0.30)
Net Income	**10,378**	11,559	(1,181)
Per unit – basic	**0.69**	0.95	(0.26)
Distributions	**15,163**	895	14,268
Per unit – basic	**1.00**	0.06	0.94
Acquisitions	**35,127**	–	35,127
Capital expenditures	**1,152**	1,738	(586)
Long-term debt	**29,290**	7,933	21,357
Unitholders' equity	**69,479**	62,773	6,706
Units outstanding (000s)			
Basic, as at December 31	**18,447**	14,917	3,530
Net asset value*	**82,326**	74,299	8,027
Per unit – basic	**4.46**	4.98	(0.52)
Average daily production			
Crude oil and NGLs (bbl/d)	**1,992**	1,995	(3)
Natural gas (mcf/d)	**1,928**	2,023	(95)
Barrels of oil equivalent (boe/d 10:1)	**2,185**	2,197	(12)
Barrels of oil equivalent (boe/d 6:1)	**2,313**	2,332	(19)

Crude oil and natural gas reserves

Trust, excluding Weyburn Limited Partnership – January 1, 2002			
Crude oil and NGLs (mbbl)			
Proved	**9,819**	7,653	2,166
Probable	**2,719**	2,374	345
Established	**11,179**	8,840	2,339
Natural gas (mmcf)			
Proved	**8,044**	7,456	588
Probable	**2,058**	2,828	(770)
Established	**9,073**	8,870	203
Million barrels of oil equivalent (boe/d 10:1)	**12,086**	9,727	2,359
Million barrels of oil equivalent (boe/d 6:1)	**12,691**	10,318	2,373

* Includes the Trust's 92 per cent interest in the Weyburn Limited Partnership



Brian Gieni
President and Chief Executive Officer

Value. Achieving it is Ultima's principal aim. It's what investors expect. It's what we will continue to deliver.

Capturing value. That's what Ultima Energy Trust is all about – identifying and seizing opportunities that add value for our unitholders. As simple as it seems, it takes a sound business strategy and talented people to carry out successfully. We've got the right strategy. We've got the right people. And our results for 2001 speak for themselves.

About a year ago, we designed and implemented a strategy that completely changed the make-up of the Trust. Our objectives for 2001 were simple:

- Become a value-driven energy trust;
- Increase the asset base of Ultima by acquiring quality assets;
- Focus on long-term growth in the value of unitholder capital; and
- Ensure that distributions to unitholders are maintained.

These objectives were achieved through the efforts of our dedicated staff and through robust crude oil prices. Total return for the year attributed to an investment in Ultima units on January 1, 2001 was 32 per cent. Of that, 78 per cent ($1.00 per share) of return was generated through cash distributions, and 22 per cent ($0.27 per share) was through unit price appreciation.

Key Achievements

In 2001 we successfully completed the restructuring of the Trust, changing our name from Maximum Energy Trust to Ultima Energy Trust. We also completed a major acquisition and gained the necessary momentum to sustain the Trust into 2002 and beyond. We turned in a number of significant achievements in 2001:

- Completed a significant acquisition of high quality central Alberta properties for $35 million;
- Raised more than $11 million in new equity;
- Increased year-end exit production by more than 60 per cent;
- Paid out distributions of $1.00 per unit to unitholders on a 100 per cent tax deferred basis; and
- Replaced 2001 production by more than 400 per cent with established reserve additions of 3.9 mmboe.

Enhancing Value through Acquisitions

To achieve long-term growth in unitholder value, new reserves must be added continually to replace production. In 2001, we acquired approximately 1,400 boe per day of production – mainly light crude oil – at Westerose and Glenevis in central Alberta. This acquisition contributes immediate benefits:

- A new core area with significant development potential;
- High quality, stable, predominately light crude oil production;
- Substantially lower operating costs on a per boe basis; and
- General and administrative costs on a per boe basis will decrease as these properties require little incremental overhead.

Growth for growth's sake is not our mandate. We aim to capture value. Ultima's strategy focuses on consistent, sustainable growth that will create long-term value for our unitholders. And we are discriminating in our approach. For example, in 2001 we looked at more than 40 acquisition opportunities, evaluated 10 for detailed engineering, geotechnical and financial potential, and made one purchase. We will continue to focus on value-added growth in 2002.

Ultima's asset portfolio is distinctly different today compared to 18 months ago. We have augmented the original light oil assets in the Kindersley area of west central Saskatchewan with a new core area in central Alberta. These assets, as well as our interest in the carbon dioxide miscible flood project at Weyburn, Saskatchewan, form a solid foundation for future growth.

Prices and Risk Management

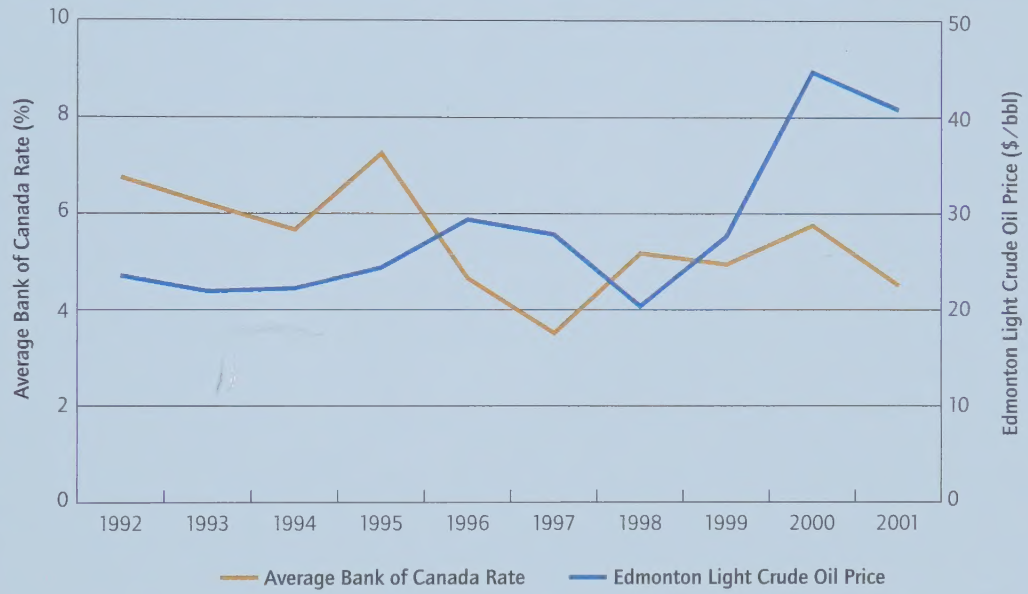
The price of crude oil began the year 2001 at US $27.21 per barrel and declined 27 per cent to US $19.84 per barrel by year-end. As world oil prices declined, the Canadian dollar depreciated compared to the US dollar. The Canadian dollar to US dollar exchange rate was about $0.67 at the beginning of the year and fell six per cent to approximately $0.63 by the end of 2001. Ultima had strongly hedged its crude oil price exposure during this period of volatility and has continued to do so into 2002. Currently, we have commodity price hedge arrangements in place for approximately 59 per cent of our current production for 2002 and 15 per cent of our current production for 2003. The primary goal of our risk management program is to fix a baseline of revenues that will generate meaningful and consistent returns to unitholders year over year.

The Trust has not entered into any foreign currency hedge arrangements at this time. As well, we have not entered into commodity price hedge arrangements for our natural gas production because it represents a small fraction of our total production and established reserves.

At the time of writing this report, the North American economy is showing signs of a sustained recovery, while exchange rates remain at a historically low level. The world price for crude oil rose from about US $20 per barrel at the beginning of 2002 to more than US $26 per barrel today. The increase is primarily a result of OPEC's adherence to production cuts, the strengthening world economy, and continuing tensions in the Middle East. The

recent increase in the price of crude oil, coupled with the historically low Canadian to US dollar exchange rate, has allowed Edmonton par crude oil prices to remain above the median of the historical range.

The chart below shows the Edmonton par price (CDN$) for crude oil over the last 10 years compared with the Bank of Canada prime borrowing rate. Current world oil prices have declined compared to 2001, but when measured in Canadian dollars remain attractive compared to historical Canadian dollar oil prices. Further, Canadian dollar oil prices remain historically high, as measured against interest rates. We expect that yields for the energy trust sector will continue to remain attractive to investors into 2002.



Asset Enhancement

Last year we told unitholders we would pursue economic and well-managed development of our core properties. In 2001 we invested just over $1.1 million on one of the Kindersley area properties, related mainly to well stimulation activities. As a result, we were able to increase production of this property in 2001 without drilling additional wells. We have budgeted a similar-sized program for 2002.

We have allocated approximately $8 million for capital investment in 2002, which focuses mainly on development drilling at Westerose and Glenevis, and stimulation activity at Kindersley. Planned drilling activity is expected to ensure production growth for Ultima in 2002, before taking into account any additional reserve acquisitions.

Looking Ahead

The legendary investor, Warren Buffet, expressed it well when he said, "we would rather buy a good asset at a fair price, than a fair asset at a good price." That's how Ultima will continue to capture value. We will pursue reserves that are predictable in nature and can support a robust commodity price hedge program. For that reason, we anticipate further acquisitions of light to medium crude oil and do not foresee significant acquisitions of the less expensive heavier crude oil.

We will continue to pursue opportunities to diversify the Trust's reserve base through the acquisition of natural gas properties while maintaining the same deal discipline we exercised in 2001 when rising spot natural gas prices and intense merger activity caused the cost of natural gas properties to rise beyond our level of comfort. We expect to see abundant oil and natural gas property acquisition opportunities in 2002 – particularly related to the disposition of quality non-core properties due to the numerous mergers and acquisitions that occurred in 2000 and 2001.

People: The Key to Success

Without a doubt, the key factor fueling our growth is our talented team. Ultima's people have applied sound business practices to identify and capitalize on opportunities to lower Ultima's cost structure while remaining focused on capturing high-potential opportunities. I'm proud of the effort, ingenuity and commitment I see from our staff every day. With our incentive practices and a collaborative culture, I have every reason to believe the momentum will continue in 2002 and beyond.

We also have the benefit of a strong management team. During the year, Mr. Michael Wihak joined Ultima as Chief Operating Officer and Mr. Kenneth Pinsky was appointed Chief Financial Officer. Both individuals have extensive experience in the oil and gas industry and have established themselves as valuable members of our executive team.

I look forward to working with management, staff and the Board again in 2002.

On behalf of the Board,

S. Brian Gieni
President & Chief Executive Officer
April 4, 2002

Michael Wihak
Chief Operating Officer

Ultima has grown significantly through selective acquisitions. We expect to continue that momentum in 2002 as more quality properties become available to the market.

In December 2001, we acquired the Westerose and Glenevis oil producing properties with an average combined working interest of 93 per cent for a purchase price of $35 million. The acquisition established a new operated core area in central Alberta while providing geographical diversification of the Trust's growing asset base.

Production from the properties at the time of purchase was approximately 1,375 barrels per day of light and medium quality oil (33° API average) and 150 mcf per day of sweet natural gas. McDaniel & Associates Consultants Ltd. independently evaluated the properties and assigned 3.9 mmboe of established reserves at a cost of $8.97 per boe. The properties have a 7.6 year established reserve life index and average lifting costs under $6.00 per boe. More than 400 per cent of the Trust's 2001 production was replaced with these established reserve additions.

Westerose

The Westerose property produces approximately 820 barrels per day of 38° API sweet crude oil to a Trust owned oil treating facility from 13 horizontal and four vertical wells producing from the medium depth Belly River sandstone.

The Westerose Belly River field was initially developed with vertical wells and subsequently developed with horizontal wells beginning in 1997. The field has been under waterflood since that time and has shown significant positive response to the pressure maintenance scheme. The waterflood currently is being evaluated for optimization, while development drilling is scheduled to begin in the first quarter of 2002. Up to five development horizontal wells will be drilled in 2002 targeting the areally extensive Belly River sand where initial well production rates of 100 to 150 barrels of oil per day are typically achieved.

The Trust also holds an 18.3 per cent interest in the Westerose Banff B Unit that was formed in 2000. This property produces, net to Ultima, 85 barrels per day of medium quality oil to a Unit-owned production facility. Conserved solution gas is injected into the Banff formation under an enhanced recovery scheme that was implemented in early 2001.

Glenevis

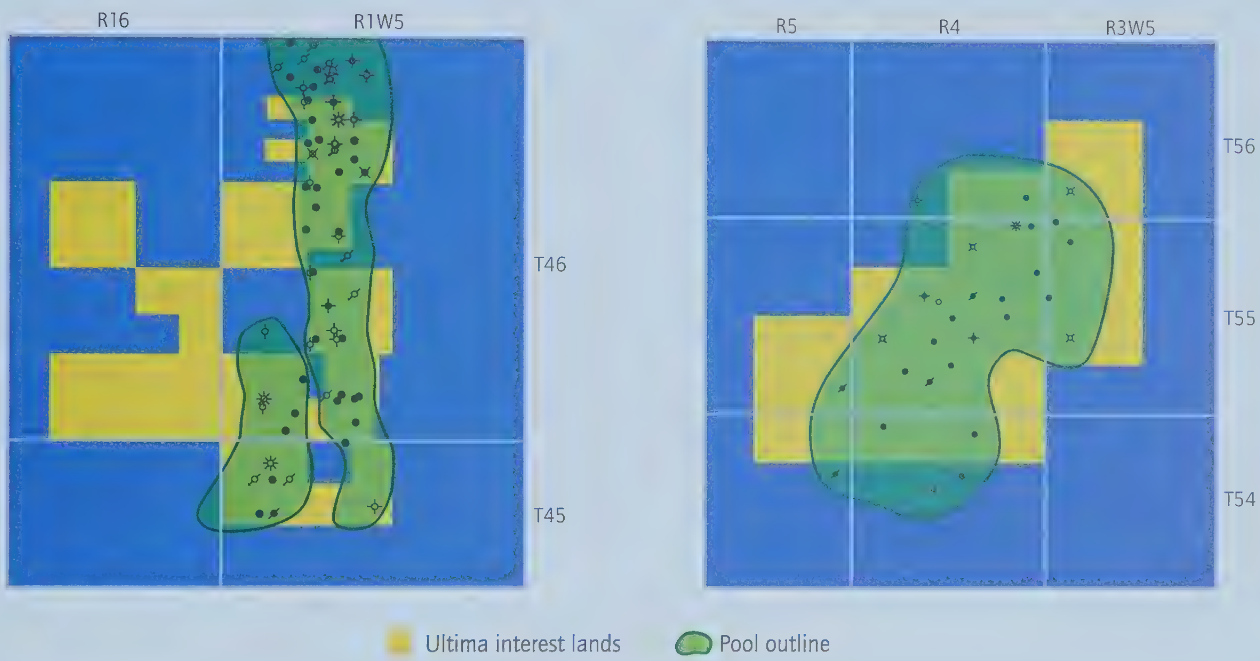
The 100 per cent working interest Glenevis property produces approximately 450 barrels per day of 18° API crude from five vertical and nine horizontal wells. The oil is trucked to a Trust owned facility and blended with a light, sweet crude stream in order to capture light-medium pricing.

The Glenevis Banff Pool was discovered in 1951 and was initially developed with vertical wells. In 1992, a horizontal infill drilling program was implemented successfully. A subsequent 1998 program yielded similar positive results. This property has a predictable production profile with a decline rate of approximately 15 per cent.

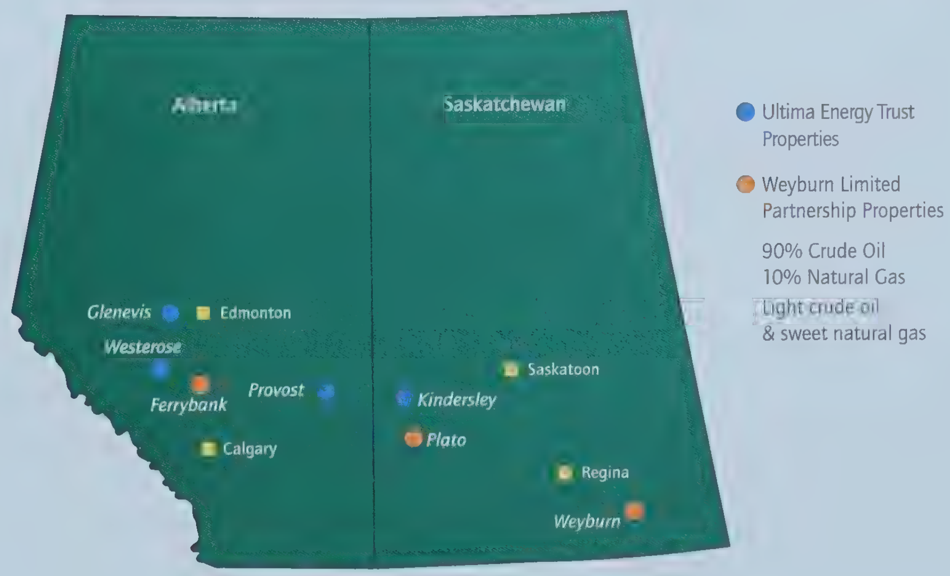
The Trust's immediate plans for the property include production optimization through the installation of additional high volume artificial lift equipment and a three to five well development horizontal infill drilling program. Initial production rates for the Banff formation horizontal well are typically 100 to 150 barrels of oil per day. The Trust completed no other acquisitions in 2001.

Westerose

Glenevis



Properties



Properties

Kindersley and Provost

Ultima's original assets, straddling the Alberta/Saskatchewan border, produce about 1,750 barrels per day of light sweet crude oil and natural gas liquids from the shallow Viking sandstone formation through Trust owned and operated facilities. An additional approximately 1.8 mmcf per day of liquids-rich solution gas is conserved, processed and sold primarily on the spot natural gas market. The premium oil quality, combined with low royalty rates of less than seven per cent of sales, results in a strong netback.

Production is characterized by an average decline rate of less than 10 per cent; this predictability allows us to hedge a large proportion of area oil production. Ultima expects to carry out multi-well stimulation programs aimed at keeping production relatively flat through 2002. A similar program in 2001 resulted in approximately 100 barrels per day of initial incremental oil production. A $300,000 ($0.50 per boe) reduction in annual operating costs has been achieved through a 15 per cent decrease in contract operating labour.

The following table details established reserves and production for the key properties. Reserves and production for the Weyburn Limited Partnership are not included in this table but are presented in the Weyburn Limited Partnership section of this report.

Ultima Energy Trust Reserves and Production

Property	Established Reserves as at January 1, 2002 (mboe)	Average Daily Production for the 12 months ended Dec. 31, 2001 (boe/d)	Average Daily Production for the month of December 2001 (boe/d)
Westerose	2,182	169 **	911
Kerrobert *	2,120	580	517
Provost	2,011	341	346
North Eureka *	2,070	272	315
Dodsland *	1,665	549	488
Glenevis	1,624	76 **	456
Other *	1,019	326	352
Total	12,691	2,313	3,385

* Properties are shown on the map (p. 9) as Kindersley due to their geographic proximity and operational similarity.

** Ultima's share of production averaged over the entire year.

The following properties, combined with the newly acquired Glenevis and Westerose properties, represent more than 90 per cent of the Trust's established reserves.

Kerrobert, Saskatchewan

For 2001, Kerrobert produced an average 580 boe per day of light sweet crude oil and sweet, liquids-rich solution gas to Trust owned facilities from the Viking formation at a depth of 700 metres. The Kerrobert field is developed on 40-acre and 20-acre well spacing. Ultima operates production in this area, with an average working interest of 81 per cent.

Provost, Alberta

Ultima holds an average 97 per cent working interest in the Provost North and South Viking Units located in east central Alberta. In 2001, we produced on average 300 barrels per day of light sweet crude oil plus associated solution gas to Trust owned central battery facilities from the Viking formation at a depth of approximately 900 metres. These assets are developed on 80-acre and 40-acre well spacing and have been under partial waterflood since the mid-1980s.

In 2002, we plan a multi-well stimulation program aimed at improving well productivity in areas of high reservoir pressure.

North Eureka, Saskatchewan

Ultima holds a 99 per cent working interest in the North Eureka Unit. During 2001, production averaged 272 barrels per day of light sweet crude oil from the Viking formation at a depth of 700 metres. The North Eureka Unit is developed on 40-acre and 20-acre well spacing and has been under waterflood since 1966. A 24-well stimulation program conducted in 2001 resulted in incremental oil production of 100 barrels per day. In 2002, we plan a similar program aimed at improving well productivity in areas of high reservoir pressure.

Dodsland, Saskatchewan

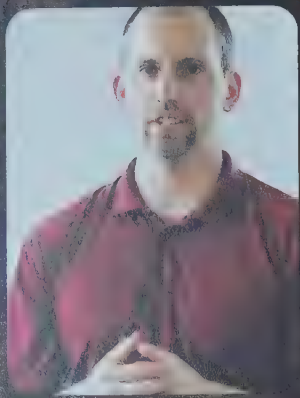
In 2001, Dodsland produced an average 549 boe per day of light sweet crude oil and sweet, liquids-rich solution gas to Trust owned facilities from the Viking formation at a depth of 700 metres. The Dodsland field is developed on 40-acre and 20-acre well spacing. Ultima holds an average working interest of 96 per cent in its lands in the area.

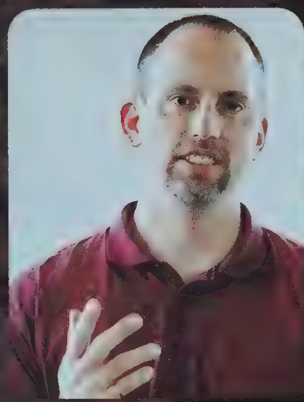
Environment, Health and Safety

A key part of the Trust's revitalization has been the thorough review of our operating practices to ensure field employees operate in a safe and environmentally conscious manner and in continued compliance with regulatory requirements in Alberta and Saskatchewan. This process included reviewing and updating our Environmental, Health and Safety programs and Corporate Emergency Response guidelines.

In addition, Ultima recently adopted the principles of the Environment, Health and Safety Stewardship program established by the Canadian Association of Petroleum Producers (CAPP) in 1999. We are participating initially at the Bronze Level, which represents our continued commitment to public and worker health and safety as well as environmental protection.

Dale Kuzyk
Manager, Business Development & Exploitation



The first step in profitable growth is to be selective in our acquisitions. The second step is to capture the high-value opportunities.

Ultima's established reserves grew by 23 per cent to approximately 12.7 million barrels of oil equivalent at December 31, 2001. Proved producing reserves account for 83 per cent of proved reserves, while proved reserves represent a significant 88 per cent of established reserves. The total net established reserve additions replaced more than 400 per cent of 2001 production.

To facilitate the growth of the Trust, we engaged McDaniel & Associates Consultants Ltd. (McDaniel), for all of our evaluation and reserve reporting, except for the Weyburn Unit investment. The Trust's Weyburn Unit investment will continue to be evaluated by Gilbert Laustsen Jung Associates Ltd. (GLJA).

The following tables summarize Ultima's reserves of crude oil, natural gas and NGLs. The tables do not include reserves for the Weyburn Limited Partnership (WLP), in order to be consistent with the accounting treatment for the WLP, whereby the results of the WLP are not consolidated with the Trust.

Estimates of present value for our reserves are calculated using the following significant assumptions:

i) Estimates are based on McDaniel's current escalating commodity price forecast, reflecting Ultima's commodity price hedge arrangements;
ii) Estimates are calculated before provisions for income taxes, general and administrative costs, or management fees;
iii) Provisions for future abandonment liabilities were not reflected in the McDaniel report because Ultima has an abandonment and reclamation reserve fund for the properties of the Trust.

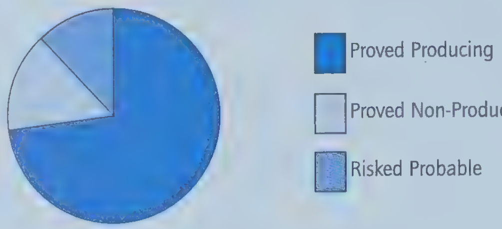
Reserves Summary and Reserve Life Index

Crude oil and NGLs are presented on a combined basis in the following tables because NGLs represent less than five per cent of the total proven combined crude oil and NGL reserves.

	2001	2000	1999	1998	1997
Crude Oil and NGLs (mbbl)					
Proved producing	**8,262**	7,653	11,227	11,681	13,181
Proved non-producing	**1,557**	–	1,281	1,385	1,418
Total proved	**9,819**	7,653	12,508	13,066	14,599
Probable, risked at 50%	**1,360**	1,187	2,003	2,530	2,640
Established	**11,179**	8,840	14,511	15,596	17,239
Natural Gas (mmcf)					
Proved producing	**5,802**	7,456	7,835	9,858	9,731
Proved non-producing	**2,242**	–	3,273	3,441	1,449
Total proved	**8,044**	7,456	11,108	13,299	11,180
Probable, risked at 50%	**1,029**	1,414	2,320	2,603	2,357
Established	**9,073**	8,870	13,428	15,902	13,537
Oil Equivalent (6:1 conversion)(mboe)					
Proved producing	**9,229**	8,896	12,533	13,324	14,803
Proved non-producing	**1,931**	–	1,827	1,959	1,659
Total proved	**11,160**	8,896	14,359	15,283	16,462
Probable, risked at 50%	**1,531**	1,422	2,390	2,963	3,033
Established	**12,691**	10,318	16,749	18,246	19,495
Established Reserve Life Index (years)	**10**	14	19	19	15

More than 70 per cent of established reserves are proved producing, while proved reserves account for almost 90 per cent of established reserves, as outlined in the following chart.

Established Reserves Composition



Reserves Reconciliation

The following table provides a reconciliation of Ultima's reserves for the past five years.

	Crude Oil and NGLs (mbbl)		Natural Gas (mmcf)		Total (mboe)		Total (mboe)
	Proved	Probable	Proved	Probable	Proved	Probable	Established
Reserves at December 31, 1997	14,599	5,280	11,180	4,714	16,462	6,066	19,495
Acquisitions and divestments	(10)	(4)	(20)	(8)	(13)	(5)	(16)
Drilling and development	–	–	–	–	–	–	–
Production	(976)	–	(1,040)	–	(1,149)	–	(1,149)
Revisions	(547)	(216)	3,179	500	(17)	(133)	(84)
Reserves at December 31, 1998	13,066	5,060	13,299	5,206	15,283	5,928	18,246
Acquisitions and divestments	–	–	–	–	–	–	–
Drilling and development	–	–	–	–	–	–	–
Production	(783)	–	(845)	–	(924)	–	(924)
Revisions	225	(1,054)	(1,346)	(566)	–	(1,149)	(573)
Reserves at December 31, 1999	12,508	4,006	11,108	4,640	14,359	4,779	16,749
Acquisitions and divestments	(694)	(175)	–	–	(694)	(175)	(782)
Drilling and development	–	–	–	–	–	–	–
Production	(731)	–	(738)	–	(854)	–	(854)
Revisions	(3,430)	(1,457)	(2,914)	(1,812)	(3,915)	(1,759)	(4,795)
Reserves at December 31, 2000	7,653	2,374	7,456	2,828	8,896	2,845	10,318
Acquisitions and divestments	3,051	795	2,382	463	3,448	872	3,885
Drilling and development	–	–	–	–	–	–	–
Production	(727)	–	(704)	–	(844)	–	(844)
Revisions	(158)	(450)	(1,090)	(1,233)	(340)	(655)	(668)
Reserves at December 31, 2001	9,819	2,719	8,044	2,058	11,160	3,062	12,691

Present Value of Reserves

The present value of the established reserves has increased by 63 per cent from 2000, using a 10 per cent discount factor. The increase is the result of the central Alberta property acquisition completed in December 2001.

($ thousands)	**2001**		2000		1999		1998	
Discount factor	**10%**	**12%**	10%	12%	10%	12%	10%	12%
Proved producing	**71,608**	**66,920**	53,875	50,296	67,270	60,163	69,856	62,439
Proved non-producing	**15,155**	**13,781**	–	–	10,447	8,809	7,579	6,243
Total proved	**86,763**	**80,701**	53,875	50,296	77,717	68,972	77,435	68,682
Probable, risked at 50%	**9,463**	**8,288**	5,116	4,316	9,285	7,333	10,704	8,773
Established	**96,226**	**88,989**	**58,991**	**54,612**	**87,002**	**76,305**	**88,139**	**77,455**

Price Assumptions

The following table sets out the price assumptions used in the McDaniel and GLJA evaluation reports for 2001, compared to the prices used in the 2000 and 1999 evaluation reports.

The 2002 commodity price hedge arrangements are not reflected in this table. The overall value of these to Ultima is $887,000 based on the independent engineers' price forecast of US $20 per barrel in 2002.

	WTI Crude Oil $US/bbl			Edmonton Crude Oil $CDN/bbl			Natural Gas $CDN/mmbtu		
Year	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
2002	**20.00**	24.00	16.82	**30.30**	35.25	27.00	**4.15**	5.60	2.40
2003	**20.90**	21.00	17.28	**31.10**	30.25	28.00	**4.40**	4.80	2.50
2004	**21.80**	21.00	17.71	**32.00**	29.75	28.70	**4.45**	4.65	2.56
2005	**22.20**	21.25	18.15	**32.10**	29.75	29.42	**4.45**	4.40	2.63
2006	**22.60**	21.75	18.61	**32.20**	29.75	30.15	**4.45**	4.30	2.69
2007	**23.10**	22.00	19.07	**32.90**	29.75	30.91	**4.50**	4.25	2.76
2008	**23.60**	22.25	19.55	**33.60**	29.75	31.68	**4.50**	4.25	2.83
2009	**24.10**	22.50	20.04	**34.30**	30.25	32.47	**4.55**	4.30	2.90
2010	**24.60**	23.00	20.54	**35.00**	30.75	32.28	**4.65**	4.40	2.97
2011	**25.10**	23.25	21.05	**35.70**	21.25	34.12	**4.75**	4.45	3.05
Thereafter, (% per year)	**+2**	+1.5	+2.5	**+2**	+1.5	+2.5	**+2**	+1.5	+2.5

Net Asset Value

The following table summarizes the net asset value estimate for the Trust only, excluding the impact of the WLP. The combined net asset value of $4.46 per unit is presented in the Weyburn Limited Partnership section of this report.

Overall, the net asset value per unit of the Trust's reserves has increased by four per cent to $3.60 per unit in 2001 from $3.46 per unit in 2000.

($ thousands, except per unit amounts)	2001		2000	
Discount factor	10%	12%	10%	12%
Value of established oil and gas reserves	96,226	88,989	58,991	54,612
Add:				
Working capital surplus/(deficiency)	(919)	(919)	235	235
Reclamation fund	472	472	303	303
Deduct:				
Trust bank debt	(29,290)	(29,290)	(7,933)	(7,933)
Net asset value	66,489	59,252	51,596	47,217
Units outstanding (thousands)	18,447	18,447	14,917	14,917
Per unit – Ultima only	$ 3.60	$ 3.21	$ 3.46	$ 3.17

Elizabeth Tarr
Land Coordinator

We have a high energy culture at Ultima because everyone plays an active role in our growth.

Weyburn Unit

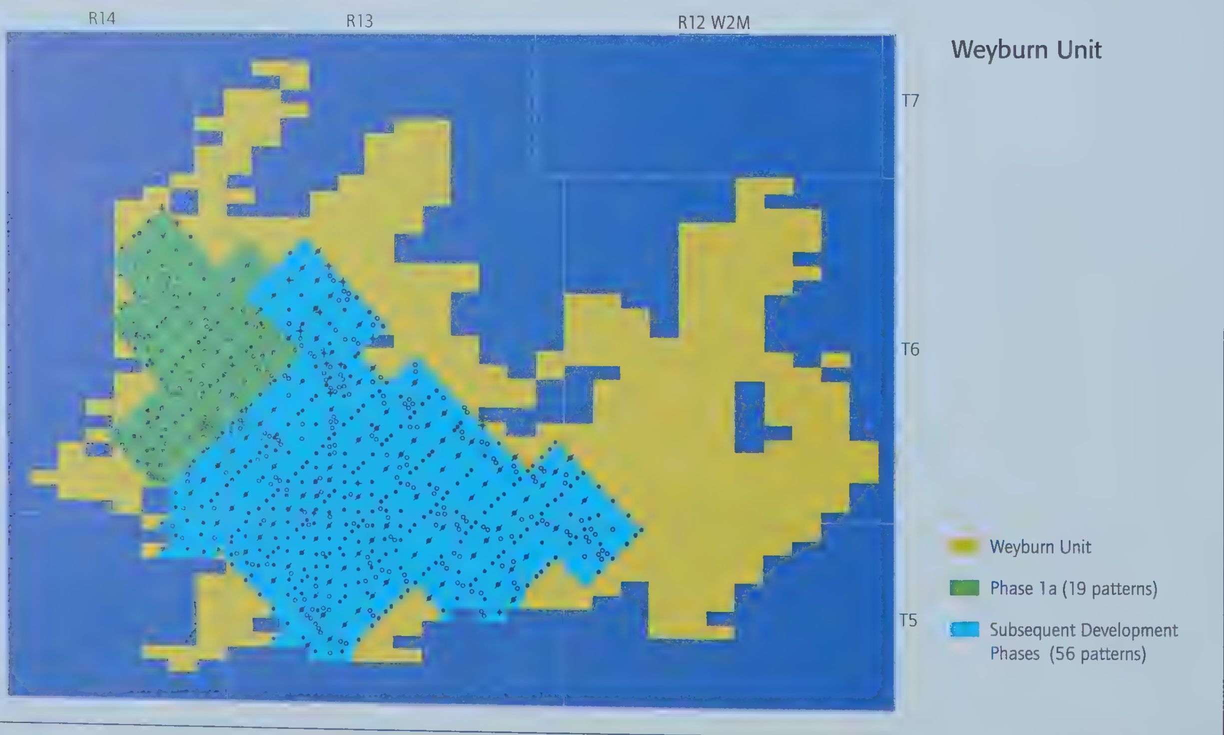
The Weyburn Unit 11.7 per cent net royalty interest is the key asset of the Weyburn Limited Partnership (WLP) and is currently producing 2,500 barrels of oil per day net to the WLP.

2001 marked the first full year of carbon dioxide injection for the Weyburn Unit – a $1.1 billion energy initiative operated by EnCana Corporation (formerly PanCanadian Energy). The Weyburn unit carbon dioxide miscible flood project will apply high-tech, enhanced oil recovery methods to extract at least 120 million additional barrels of oil from the Weyburn field in southwestern Saskatchewan, a resource that contained 1.4 billion barrels of oil when discovered in the 1950s. The Unit has been under waterflood since 1964 and has been developed continuously through a successful horizontal infill drilling program initiated in 1991.

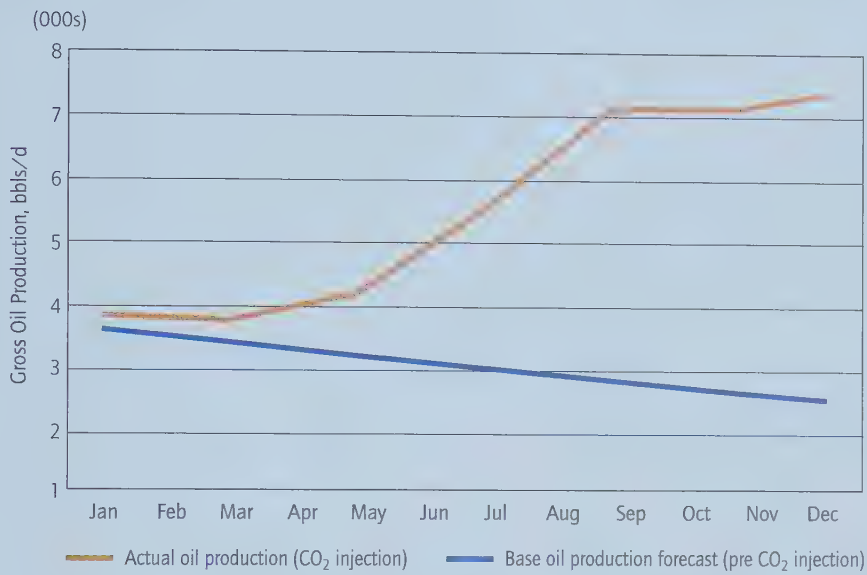
Ultima's investment in the WLP in late 2000 was the catalyst for the revitalization of the Trust. It signified the beginning of the heightened emphasis on capturing high-value opportunities. In this case, the WLP transaction enabled us to increase our asset base through the addition of a high quality, crude oil property with long-life reserves, at a very acceptable cost.

Enhanced Oil Recovery Development Plan

The map below outlines the Weyburn Unit and the operator's plans for ongoing development of the enhanced recovery scheme. Phase 1a, the initial phase of development, is comprised of 19 patterns covering approximately 25 per cent of the total area suitable for the miscible flood process within the Unit. The project will be rolled out in phases to optimize the utilization of the carbon dioxide and implement any modifications to the development plan in a timely manner.



The graph below shows incremental gross oil production associated with Phase 1a of the carbon dioxide miscible flood in 2001. Although early in the process, the project has met expectations to date. The WLP share of these volumes is 11.7 per cent.



Weyburn Unit Phase 1a 2001 Production

Review of the Deal

- Effective November 1, 2000, Ultima acquired a 92 per cent limited partnership interest in the WLP, with PanCanadian Resources (now part of EnCana Corporation) as the managing partner owning a 7.98 per cent interest. The remaining interest is owned by two companies controlled by EnCana and Ultima Management Inc.
- Ultima's interest was acquired in conjunction with the sale of our Plato oil property to the WLP, and our subsequent investment of those proceeds in the WLP.
- The assets of the WLP consist of an 11.7 per cent net royalty interest (NRI) in the Weyburn Unit and two other light oil producing properties in the Ferrybank and Plato areas. The NRI accounts for 93 per cent of production. Behind the interest held by the operator, the WLP holds the second highest economic interest in the project.
- The WLP's purchase of the NRI was financed through EnCana's issuance of a $77.8 million promissory note for a term ending June 30, 2003. The assets of the WLP secure the note, bearing a fixed interest rate of 7.5 per cent per annum, with no recourse to the assets of the partners. A condition of the note is for the WLP to make minimum annual debt payments of $5.5 million.
- Because Ultima, as a limited partner, does not wholly or jointly control the activities of the WLP, we do not consolidate WLP financial statements with the consolidated financial statements of the Trust.
- To be consistent with the accounting treatment, reserves and production figures for the WLP are not reported on a consolidated basis with Ultima's.

Denis Tremblay
Financial Accountant

Ultima maintains strict internal controls to help ensure authorized transactions, protection of assets, and reliable financial reporting.

2001 Production

Production volumes from the Weyburn Unit increased by 14 per cent in 2001, while production volumes from the minor properties showed normal production decline. Production by quarter attributable to Ultima's 92 per cent interest in the WLP is as follows:

2001 Production	Q1	Q2	Q3	Q4
Oil (bbl/d)	2,179	2,157	2,398	2,442
Gas (mcf/d)	239	312	293	201
Oil equivalent 6:1 (boe/d)	2,219	2,210	2,446	2,475

Debt Repayment and Distributions

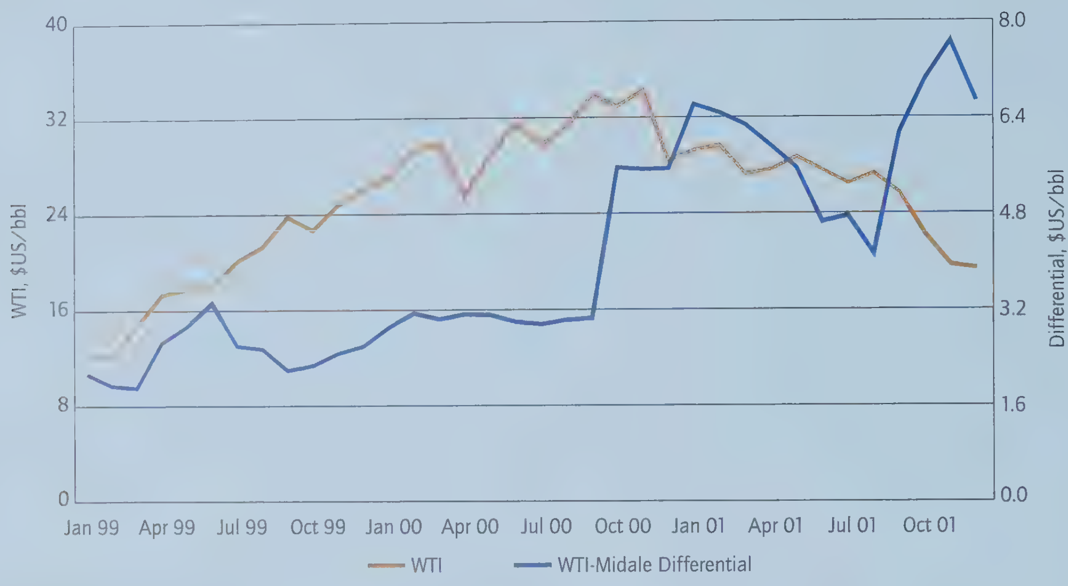
In 2001, the WLP paid $5.8 million on the promissory note, and distributed $3.4 million to the partners. Of that, Ultima received $3.1 million.

2001 Highlights

The WLP's financial statements and calculation of partner distributions are presented in the Notes to the Consolidated Financial Statements section of this annual report. Quarterly highlights are provided in the table below.

($ thousands, except per unit amounts)	Q1	Q2	Q3	Q4
2001 Prices				
Crude oil ($/bbl)	31.14	38.04	34.02	18.63
Crude oil ($/bbl, including hedge)	30.37	34.86	33.98	24.80
Natural gas ($/mcf)	13.66	4.44	6.85	4.72
Operating costs ($/boe)	5.68	6.67	6.03	6.12
Cash flow from operations, net 92%	3,355	3,460	4,189	3,314
WLP debt, net 92%	70,311	69,046	67,781	66,377
WLP income reported by Ultima	1,192	83	1,070	759

The volatility of crude oil differentials was a key variable that impacted Weyburn Unit cash flow in 2001. The pre-2001 Weyburn Unit crude differential (called the Midale differential) from the benchmark WTI crude price was in the range of US $3 to US $4 per barrel. In 2001, the higher WTI prices and a refinery constraint resulted in differentials in excess of US $7.50 per barrel, with an average of about US $5.95 per barrel for 2001. For 2002 we expect that lower overall WTI oil prices and relief of the refinery constraint will result in a Midale differential more in line with the historic differential.



WLP Reserves Summary and Reserve Life Index (net 92 per cent)

	2001	2000
Crude Oil and NGLs (mbbl)		
Proved producing	7,368	7,881
Proved non-producing	4,314	4,758
Total proved	11,682	12,639
Probable, risked at 50%	5,463	5,708
Established	17,145	18,347
Natural Gas (mmcf)		
Proved producing	214	221
Proved non-producing	16	26
Total proved	230	247
Probable, risked at 50%	17	19
Established	247	266
Oil Equivalent (6:1 conversion, mboe)		
Proved producing	7,404	7,918
Proved non-producing	4,316	4,762
Total proved	11,720	12,680
Probable, risked at 50%	5,466	5,711
Established	17,186	18,391
Established Reserve Life Index	19	19

Net Asset Value

The following table summarizes the net asset value estimate for Ultima excluding and including its investment in the WLP. Overall, the net asset value per unit attributed to the Trust's oil and natural gas reserves and investment in the WLP has decreased by 10 per cent to $4.46 per unit from $4.98 per unit in 2000, calculated using a discount factor of 10 per cent before income taxes. The decrease in Ultima's overall net asset value is due to the decrease in the net asset value of the WLP from $1.52 per unit in 2000 to $0.86 per unit in 2001. This decline is due primarily to a lower crude oil price assumption. Commodity prices used in the 2001 and prior year report are presented on page 15.

The net asset value table is provided for informational purposes only and does not necessarily represent the fair market value of Ultima and/or its investment in the WLP.

($ thousands except per unit amounts)	2001		2000	
Discount factor	10%	12%	10%	12%
Per unit, Ultima only, see page 16	$ 3.60	$ 3.21	$ 3.46	$ 3.17
Weyburn Limited Partnership – net 92%				
Proved reserves	48,333	44,070	57,178	53,397
Probable reserves, risked at 50%	32,809	28,060	36,003	31,147
Established reserve value	81,142	72,130	93,181	84,544
Add:				
Working capital surplus	1,072	1,072	1,538	1,538
Less:				
Partnership debt*	(66,377)	(66,377)	(72,016)	(72,016)
Net asset value	15,837	6,825	22,703	14,066
Units outstanding (thousands)	18,447	18,447	14,917	14,917
Per unit, WLP only	$ 0.86	$ 0.37	$ 1.52	$ 0.94
Ultima, per unit, including 92% of WLP	$ 4.46	$ 3.58	$ 4.98	$ 4.11

* $5.5 million of the Partnership debt is shown as a current liability on the WLP financial statements as the payment is due within the next 12 months.

References to WLP and the NRI in this annual report do not represent direct ownership of these assets by the Trust. Information that combines the oil and natural gas reserves of the Trust and the WLP is provided for reference convenience only, and is not meant to indicate that the Trust, as a limited partner, has more than an economic interest in the assets of the WLP. Certain financial information for the WLP is disclosed in note 4 of this report's Notes to the Consolidated Financial Statements.

Ken Pinsky
Chief Financial Officer

The ultimate measurement of our success is total return – 32 per cent in 2001, more than double the comparable Royalty Trust index.

Contents

Introduction

The following discussion and analysis of the financial results by management should be read in conjunction with the audited consolidated financial statements of the Trust for the year ended December 31, 2001, together with the accompanying notes. This Management's Discussion and Analysis ("MD&A") contains certain forward-looking estimates that involve substantial known and unknown risks and uncertainties, certain of which are beyond the Trust's control. Actual results, performance or achievement could differ materially from those expressed in or implied by these forward-looking estimates and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking estimates will occur, or if some of them occur, what benefits will be derived from them.

We are pleased to summarize the highlights for Ultima in 2001:

- Paid out $1.00 per unit to unitholders on a tax deferred basis;
- Completed a significant primarily light oil acquisition in December for $35 million;
- Raised in excess of $11 million of new equity;
- Replaced 2001 production by more than 400 per cent with established oil and natural gas reserve additions; and
- Realized a 14 per cent increase in Weyburn Unit oil production in the first full year of carbon dioxide injection.

Results of Operations

Volumes

Production during 2001 averaged 2,313 barrels of oil equivalent ("boe") per day, relatively unchanged from the 2000 production average of 2,332 boe per day. During 2001, oil production increased slightly to 1,941 barrels per day, natural gas production decreased by five per cent to 1.9 million cubic feet per day, and natural gas liquids production decreased slightly to 51 barrels per day. For the fourth quarter (Q4) 2001, the average production was 2,965 boe per day, an increase of 36 per cent from the Q4 2000 average of 2,172 boe per day. The increase in Q4 2001 production is due to the central Alberta property acquisition. The Trust's 2001 exit production rate was 3,385 boe per day, compared 2,089 boe per day in 2000 – an increase of more than 60 per cent.

Marshall Williams
Chairman of the Board

Based on my long experience as a director of significant public and private organizations such as TransAlta Utilities, PanCanadian Petroleum Ltd., and SunLife Assurance Co., I am proud to represent an organization that demonstrates sound corporate governance.

Production volumes from Ultima's 92 per cent limited partnership interest in the Weyburn Limited Partnership ("WLP") are not reflected in these production volumes.

Average Daily Sales Volume by Product

Ultima, excluding WLP volumes	2001	%	2000	%
Oil (bbl/d)	1,941	84	1,935	83
NGLs (bbl/d)	51	2	60	3
Gas (mcf/d)	1,928	14	2,023	14
Total (boe/d)	2,313	100	2,332	100

Production for the year was split between Saskatchewan (75 per cent) and Alberta (25 per cent). The production split for Q4 2001 was 55 per cent for Saskatchewan and 45 per cent for Alberta. The significant shift in the geographic allocation of volumes in Q4 is due to the central Alberta property acquisition.

More than 75 per cent of Ultima's total production is light crude oil and associated liquids, and the balance is sweet natural gas and heavier crude oil.

Selected Quarterly Financial Information

The following table outlines selected consolidated financial information for Ultima Energy Trust, (including the WLP income distributed to Ultima Energy Trust) with respect to each of the last eight financial quarters ending on March 31 ("Q1"), June 30 ("Q2"), September 30 ("Q3") and December 31 ("Q4") for the years 2001 and 2000.

($ thousands, except per unit amounts)

	01/Q4	01/Q3	01/Q2	01/Q1	00/Q4	00/Q3	00/Q2	00/Q1
Total revenues, net of royalties	$ 6,719	$ 6,553	$ 7,208	$ 7,917	$ 7,637	$ 7,884	$ 7,099	$ 7,593
Partnership income	758	1,070	83	1,193	1,106	NIL	NIL	NIL
Funds from operations	3,518	4,551	3,678	5,981	5,611	4,432	3,435	4,388
Funds from operations, per unit – basic	0.22	0.31	0.23	0.41	0.45	0.37	0.29	0.37
Cash distributed	3,358	4,044	4,032	3,729	895	NIL	NIL	NIL
Cash distributed, per unit – basic	0.21	0.27	0.27	0.25	0.06	NIL	NIL	NIL
Net income	777	2,921	2,194	4,486	3,350	3,061	2,137	3,011
Net income per unit	$ 0.05	$ 0.20	$ 0.13	$ 0.31	$ 0.27	$ 0.26	$ 0.18	$ 0.25

Prices and Risk Management

The price of light crude oil remained strong for the first three quarters of 2001; however, by mid-September the slumping world economy and robust supply levels resulted in a significant decline in crude oil prices. Oil prices began the year at approximately US $27.21 per barrel and declined approximately 27 per cent to US $19.84 per barrel by year-end. Concurrent with the decline in world oil prices, the Canadian dollar depreciated against the US dollar. The Canadian dollar to US dollar exchange rate was approximately $0.67 at the beginning of the year and fell six per cent to approximately $0.63 by year-end. The result of the decrease in crude oil prices and the decrease in the Canadian dollar exchange rate was that the average oil price realized by Ultima decreased by 17 per cent from $43.64 per barrel in 2000 to $36.02 per barrel in 2001. Including the impact of hedging losses in 2000 of $3,423,000 and hedging gains in 2001 of $198,000, the average oil price realized decreased by seven per cent from $38.81 per barrel to $36.30 per barrel.

Natural gas prices reached record levels in Q1 of 2001 and declined steadily each quarter thereafter due to the reduced demand associated with the slowing North American economy and moderate summer and winter weather. The average natural gas price realized by Ultima in 2001 was $6.01 per mcf, compared to $4.85 per mcf in 2000 – an increase of 24 per cent.

The Trust's crude oil is sold to a crude oil marketer under a 30-day renewable contract. Natural gas from the Saskatchewan fields was sold to a marketer under an AECO adjusted price. Natural gas from the Alberta fields is sold to aggregators or into the spot market. There were no hedging arrangements in place for natural gas in 2001 and none have been entered into for 2002.

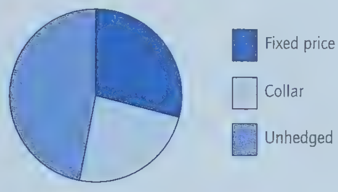
Prices	2001	2000	% Change
Oil ($/bbl)	**36.02**	43.64	(17%)
Oil, including oil hedge ($/bbl)	**36.30**	38.81	(7%)
Natural gas liquids ($/bbl)	**30.11**	33.50	(10%)
Natural gas ($/mcf)	**6.01**	4.85	24%

Ultima entered into a commodity price hedge arrangement in 2001 for 1,400 barrels per day of crude oil production under costless collar hedge arrangements. A costless collar is a commodity price hedge arrangement under which a floor price is purchased through the sale of a ceiling price. Because the funds received from the sale of the price ceiling are sufficient to cover the cost of purchasing the floor price, the arrangement is termed a "costless collar." For 2001, the floor price of the collar was set at US $21 per barrel and the ceiling price was set at US $30 per barrel. A hedging gain of $198,000 was realized, all in the last two months of the year.

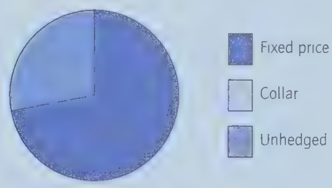
Summarized below is the Trust's risk management position for 2002 production.

	Daily Quantity (bbls)	Floor Price ($US/bbl)	Ceiling Price ($US/bbl)	Price Index	Term (Calendar)
Crude oil fixed price contract	1,100	21.62	21.62	WTI	2002
Crude oil collared contract	600	19.25	22.60	WTI	2002
Crude oil collared contract	300	19.25	22.00	WTI	2002

Ultima 2002
Commodity Price Hedges *



WLP 2002
Commodity Price Hedges *



* As a percentage of current production before royalties.

Sales Revenues

Oil and gas sales, net of royalties, and WLP income remained relatively unchanged compared to 2000. Total net revenues for 2001 were $31.5 million compared to $31.3 million in 2000. The slightly lower average prices realized were offset by increased income received from the Trust's investment in WLP. Income from WLP in 2001 was $3.1 million compared to $1.1 million in 2000. The income from WLP represents Ultima's 92 per cent share of WLP's distributions. The calculation of WLP income and a discussion of the WLP in general are provided in full in note 4 of the accompanying Notes to the Consolidated Financial Statements.

	2001		2000	
	$000	% of total	$000	% of total
Oil and liquids revenue	26,296	77.8	28,260	85.2
Natural gas revenue	4,230	12.5	3,598	10.8
Processing and gathering revenue	175	0.5	215	0.7
Income from Weyburn Limited Partnership	3,104	9.2	1,106	3.3
	33,805	100	33,179	100
Crown royalties	(1,117)	(3.3)	(625)	(1.9)
Other royalties	(1,187)	(3.5)	(1,235)	(3.7)
	(2,304)	(6.8)	(1,860)	(5.6)
Net revenue	31,501	93.2	31,319	94.4

Net revenues are net of the impact of crude oil hedging gains in 2001 and hedging losses in 2000.

Heather Wood
Executive Assistant

What is our number one strength? There's no question about it. It's our people – experienced, knowledgeable, creative and committed.

Royalties

Royalties were $2.3 million in 2001, an increase of 24 per cent from 2000 royalties of $1.9 million. The increase is a result of the Alberta Royalty Tax Credit (ARTC) program being eliminated on January 1, 2001 for trusts and individuals, and of the acquisition of the central Alberta properties. The central Alberta properties have an average royalty rate of approximately 20 per cent, compared to the Kindersley property average royalty rate of just over six per cent of sales revenue.

Oil and Natural Gas Operating Expenses

Operating expenses increased by eight per cent in 2001 to $10.3 million from $9.6 million. This increase was due primarily to increased levels of workover activity on the Kindersley properties. On a per boe basis, operating costs for 2001 increased by nine per cent to $12.26 per boe, compared to $11.25 per boe in 2000. For Q4 2001, the operating costs were $10.59 per boe, compared to $10.84 per boe in Q4 2000. The Q4 operating costs are lower than the 2001 average because the newly acquired central Alberta properties have an operating cost of less than $6.00 per boe. It is expected that operating costs on a per boe basis will be less in 2002 than the 2001 average.

Netbacks

Operating netbacks remained relatively unchanged in 2001 at $25.05 per boe, compared to $25.45 per boe in 2000. The decrease in commodity prices in 2001 was offset by the increase of income received from the WLP.

	$000	$/boe	$000	$/boe
Oil and natural gas revenues	30,328	35.92	35,281	41.34
Commodity price hedging gains (losses)	198	0.23	(3,423)	(4.01)
Royalties	(2,304)	(2.73)	(1,860)	(2.18)
Gas processing and gathering revenues	175	0.21	215	0.25
Income from Weyburn Limited Partnership	3,104	3.68	1,106	1.30
	31,501	37.31	31,319	36.70
Oil and natural gas operating expenses	(10,349)	(12.26)	(9,600)	(11.25)
Operating netback	21,152	25.05	21,719	25.45
Interest	(572)	(0.68)	(1,765)	(2.07)
General and administrative	(2,189)	(2.59)	(1,495)	(1.75)
Management fees	(663)	(0.79)	(593)	(0.69)
Depletion and amortization	(7,350)	(8.71)	(6,307)	(7.41)
Net Income	10,378	12.28	11,559	13.53

General and Administrative Expenses

General and administrative expenses for the year increased to $2.2 million from $1.5 million in 2000. The increase was due to significant one-time restructuring costs incurred in Q1 and Q2, and the ongoing efforts to grow the Trust. On a per boe basis, general and administrative expenses in 2001 were $2.58 per boe, compared to $1.75 per

boe in 2000. The central Alberta properties are expected to be managed without a significant increase in general and administrative expenses; accordingly, we expect these costs on a per boe basis to be less in 2002.

($000)	2001	2000
General and administrative	2,500	1,860
Overhead recoveries	(311)	(365)
Net general and administrative	2,189	1,495
Net general and administrative (per boe)	$ 2.59	$ 1.75

Management Fees

The manager of Ultima Energy Trust, Ultima Management Inc. (the "Manager" or "UMI"), receives a management fee based on net production revenue and 1/99 of the distribution to unitholders. The fee paid in 2001 was $663,000, compared to $593,000 in 2000. The fee has increased from 2000 primarily as a result of distributions being reinstated in December 2000 and the Manager receiving the residual 1/99 of the distribution.

Interest Expense

Interest expense decreased to $572,000 in 2001 from $1.8 million in 2000. The reduced interest expense is a result of decreased borrowing rates in 2001 and reduced level of average debt outstanding in 2001. Interest rates decreased by 250 basis points during the year. Bank debt at year-end 2001 was $29.2 million, compared to $7.9 million in 2000, as a result of the acquisition of the central Alberta Properties in December, 2001.

For 2002 we expect interest expense will be higher than in 2001 as a result of the higher year-end debt level.

Income Taxes

Ultima Energy Trust is a taxable entity for income tax purposes and must file a trust income tax return annually within 60 days of its year-end of December 31, based on royalty distributions received at that time. In determining the portion of distributable income that is taxable, it is entitled to annual deductions related to the purchase of its royalty (Canadian Oil and Gas Property Expense or COGPE), resource allowance, unit issue costs, and other expenses in accordance with the provisions of the Income Tax Act. The portion of distributable income which is not treated as a deduction for the Trust is treated as a return of capital and reduces the adjusted cost base of the Trust units held by unitholders. Any net taxable income in the Trust is allocated to unitholders and is considered income from property, not resource revenue. Units of the Trust are qualified investments for RRSPs, RRIFs and DPSPs.

The income from WLP is taxable to the Trust to the extent that the taxable income of WLP is allocated to each partner based on its ownership of the WLP.

For 2001, all distributions to unitholders are a return of capital and will be treated as a deduction of the adjusted cost base of the Trust units held by unitholders.

Depletion, Depreciation and Amortization ("DD&A")

DD&A calculated on a unit of production basis totaled $7,350,000 in 2001, including a site restoration charge of $745,000. In 2000 the provision totaled $6,307,000, including a site restoration charge of $796,000. The increased DD&A is a result of the reserve revisions of the prior year.

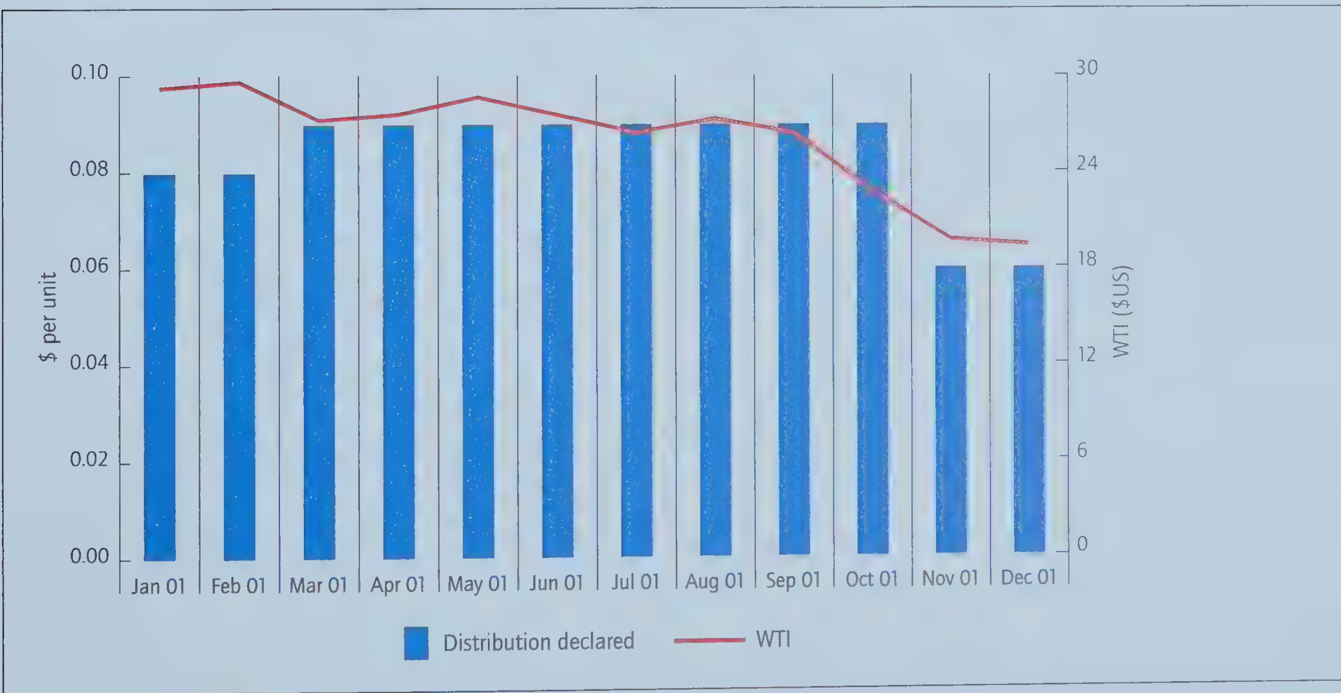
DD&A on a per boe basis increased by 18 per cent to $8.71 per boe in 2001, from $7.41 per boe in 2000.

Reclamation and Abandonment

Ultima continues to fund an abandonment and reclamation reserve pursuant to the Trust indenture. The contribution was increased from $0.08 per boe in 2000 to $0.20 per boe in 2001 on a prospective basis. The increase was due primarily to a downward revision of proven and probable reserves in the prior year. At year-end the fund totaled $472,000, up from $303,000 in 2000. These funds have been set aside in a separate bank account and are not commingled with the Trust's other operating accounts. Any future changes in the contribution rate will be applied prospectively.

Cash Available for Distributions

Monthly distributions to unitholders declared in 2001 totaled $1.00 per unit, up from $0.06 per unit in 2000. Below is a chart showing monthly distributions to unitholders in 2001 overlaid by the monthly average WTI oil price for the same period. The payout ratio for 2001, defined as the cash distributed to unitholders as a percentage of net cash flow from operations, was 86 per cent. The payout ratio for 2000 was five per cent.



Ross Andreachuk
Controller

Ultima is disciplined in managing risk. We pursue predictable reserves which are independently evaluated, and we protect against short-term price volatility through a robust commodity price hedge program.

Ultima's distributions are dependent on commodity prices, primarily the price of crude oil. As the price of oil declined within the price band of the costless collar, the level of income available for distribution also declined. In 2002 Ultima's cash flows are expected to be less sensitive to oil price volatility as a result of Ultima's fixed price swap hedge arrangement for 1,100 barrels per day and the narrower price band of the costless collar hedge arrangement for 900 barrels per day.

Net Income

Net income decreased by 10 per cent to $10.4 million from $11.6 million in 2000. The decrease was due primarily to higher depletion expense in 2001. Net income per unit decreased by 27 per cent to $0.69 from $0.95 in 2000. The decrease is a result of the higher depletion charge for 2001 and the increased weighted average number of units outstanding during the year.

Liquidity and Capital Resources

Weyburn Limited Partnership

The Trust holds a 92 per cent limited partnership interest in WLP. The assets of the WLP consist mainly of an 11.7 per cent Net Royalty Interest in the Weyburn Unit located in south central Saskatchewan (the "Weyburn Unit NRI").

The Weyburn Unit NRI was acquired by the WLP from PanCanadian Resources (now part of EnCana Corporation) effective November 1, 2000 in consideration for a note (the "Note") payable for $77.8 million (currently $71.9 million). The Note bears interest at 7.5 per cent per annum, payable monthly, with minimum principal repayments of $1.375 million required quarterly, with the balance payable no later than June 30, 2003. The indebtedness represented by the Note is expected to be re-financed on or before June 30, 2003. At its expiry on June 30, 2003, the indebtedness represented by the Note is expected to be approximately $64 million. Repayment of the Note is strictly the responsibility of the WLP. The WLP does not have any recourse to the Trust in connection with the repayment of the indebtedness represented by the Note.

A full discussion of the WLP, including its 2001 financial results, can be found in note 4 of the notes accompanying the audited financial statements of the Trust for the year ended December 31, 2001.

The WLP is generally subject to risks and trends, which are similar to those experienced by the Trust.

Long-Term Debt

Ultima maintains a credit facility in the form of a revolving production loan with the Alberta Treasury Branches in the amount of $34 million, of which $29.3 million was drawn at December 31, 2001. Long-term debt was $7.9 million at December 31, 2000. The increase was a result of the $35 million central Alberta properties acquisition.

The long-term debt at year-end does not reflect the debt of the WLP, as this debt is without recourse to the Trust's oil and gas assets. Only the assets of WLP secure the debt of WLP.

Working Capital

The Trust's working capital deficiency as at December 31, 2001 was $919,000. However, the Trust had an unutilized bank line of credit of approximately $4,700,000. The Trust's working capital deficiency at December 31, 2001 arose due to the accrual of transaction costs in respect of the Trust's central Alberta property acquisition and its private placement of trust units, both of which are non-operational in nature. The working capital deficiency was satisfied during the first quarter of 2002 by the payment of these costs using a portion of the Trust's unutilized bank line of credit. The Trust would typically expect to show a small amount of positive working capital at the end of any given period. Working capital would not, however, be expected to be significant as the Trust's primary purpose is to distribute net cash flow to unitholders with the result that the Trust would not expect to build a significant positive working capital position.

Capital Commitments

The Trust expects to invest approximately $8,000,000 toward development activities on its properties in 2002, notably horizontal development drilling at Westerose and Glenevis. This capital investment is anticipated to be funded from cash flow to the extent allowed under the Trust Indenture, current bank lines of credit, the proceeds of trust unit offerings, or a combination thereof. The planned 2002 capital program does not represent an actual commitment of the Trust because the expenditures are entirely discretionary. As was the case in 2001, it is expected that cash flow generated during 2002 will be used primarily to pay distributions to unitholders.

Unitholders' Equity

Ultima raised in excess of $11 million of new equity in 2001. In December 2001, 3.4 million Trust units were issued at a price of $3.50 per unit in conjunction with the central Alberta Properties acquisition. The units were issued through a private placement of Trust Units. The debt to equity ratio of Ultima was 44 per cent at year-end 2001, compared to 13 per cent at year-end 2000.

Future Trends and Risk Factors

Development and production of oil and natural gas reserves is inherently uncertain and subject to numerous operational and competitive risks. Evaluations of oil and natural gas reserves represent estimates only and include a number of assumptions, including assumptions regarding the future price of crude oil and natural gas, and the success of exploitation and development activities intended to be undertaken on the Trust's properties in future years.

The economic performance of the Trust will be affected by a variety of market conditions that are beyond the Trust's control, including commodity pricing, interest rates, exchange rates and the ability to acquire suitable oil and natural gas properties. In particular, the price received for oil and natural gas production is determined by the market and has been subject to considerable volatility in the recent past. Ultima has taken steps to mitigate this risk as disclosed above under "Prices and Risk Management."

Future oil and natural gas reserves and production are highly dependent on the success in exploiting the current reserve base. Future cash flows are highly dependent on both of these factors, plus the Trust's success in acquiring additional reserves. Without the addition of reserves, production is subject to continued decline.

Future acquisitions will depend on the availability of economically attractive properties. Acquisitions must generally comply with certain pre-established guidelines or otherwise be approved by the Board of Directors.

The oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record, and Ultima is unable to predict what additional legislation or amendments may be enacted

The oil and natural gas industry is also subject to environmental regulation pursuant to local, provincial and federal legislation. Ultima Energy Trust is committed to meeting its responsibilities to protect the environment. The Board of Directors has put in place an environment and safety management system to ensure appropriate policies and procedures are maintained. The reclamation fund also is intended to provide for future environmental and reclamation obligations.

2002 Outlook

2001 was a year of substantial growth for the Trust. The central Alberta properties acquisition was the Trust's first under its new executive team. The Trust looks forward to 2002 as the first full year in which the management team can devote all of its time to growing Ultima.

It is expected that the lower commodity price environment and the significant merger and acquisition activity in 2001 will result in opportunities for the Trust to acquire reserves at reasonable prices in 2002 as property rationalization efforts occur. The Trust has approximately 59 per cent of its current production subject to commodity price hedge arrangements for 2002 and will continue to use commodity price hedging to decrease the volatility of crude oil prices in the future. Based on crude oil prices of US $20 per barrel, Ultima expects to make monthly distributions of $0.06 per unit for the balance of 2002.

The Trust's mandate for 2002 is to continue to profitably grow through acquisitions and exploitation of our existing reserve base. The newly acquired properties provide significant opportunities for development and optimization.

Sensitivities

The following table summarizes the variables that are expected to have the most material impact on 2002 cash flow from operations and incorporating the commodity price hedge arrangements in place as of December 31, 2001.

Variable	Change	Cash Flow Impact ($000)	Cash Flow Impact Per unit (cents)
Oil price			
Within the costless collar	US$ 1/bbl	1,525	7
Outside the costless collar	US$ 1/bbl	1,089	5
Natural gas price	$0.50/mmbtu	436	2
Oil production	100 bbl/day	653	3
Exchange rate (US/CDN)	$0.01	653	3
Interest rate	1%	218	1

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements and other information in the Annual Report. The consolidated financial statements have been prepared using Canadian generally accepted accounting principles including, where applicable, amounts based on management's best estimates. By their nature, these estimates are subject to measurement uncertainty, and actual results could differ from these estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Trust maintains a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use, and financial information is presented on a timely basis, and is relevant and reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility principally through its audit committee.

The audit committee, consisting of external, independent directors, is appointed by the Board of Directors. The audit committee has reviewed Ultima's consolidated financial statements with management and the auditors, and has recommended their approval by the Board of Directors.

Arthur Andersen LLP, an independent firm of Chartered Accountants appointed by the Unitholders, has examined the consolidated financial statements in accordance with Canadian generally accepted auditing standards and its report is included herein. Arthur Andersen LLP had full and unrestricted access to the audit committee to discuss their findings.

S. Brian Gieni
President and Chief Executive Officer

Ken G. Pinsky
Chief Financial Officer

February 15, 2002
Calgary, Alberta

To the Unitholders of Ultima Energy Trust:

We have audited the consolidated balance sheet of Ultima Energy Trust as at December 31, 2001 and the consolidated statements of income and deficit, cash distributions and accumulated cash distributions and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2000 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those consolidated financial statements in their report dated March 2, 2001.

Arthur Andersen LLP

February 15, 2002
Calgary, Alberta

Arthur Andersen LLP
Chartered Accountants

(thousands of dollars)

As at December 31,	2001	2000
Assets		
Current assets		
Accounts receivable	$ 3,608	$ 4,428
Inventory	17	17
Prepaid expenses	308	33
	3,933	4,478
Reclamation fund (note 5)	472	303
Investment in Weyburn Limited Partnership (note 4)	6,183	6,060
Capital assets, net (note 3)	96,993	67,306
Total Assets	$ 107,581	$ 78,147
Liabilities and Unitholders' Equity		
Liabilities		
Current liabilities		
Bank indebtedness	$ 279	$ 400
Accounts payable	3,466	2,931
Cash distributions payable	1,107	895
	4,852	4,226
Accumulated site restoration	3,960	3,215
Long-term debt (note 6)	29,290	7,933
Unitholders' Equity		
Unitholders' capital (note 7)	134,314	122,817
Deficit	(22,251)	(32,629)
Accumulated cash distributions	(42,584)	(27,415)
	69,479	62,773
Total Liabilities and Unitholders' Equity	$ 107,581	$ 78,147

Contingencies (note 11)

See accompanying notes

On behalf of the Board,

S. Brian Gieni
Director

Marshall M. Williams
Director

(thousands of dollars except for per unit amounts)

Years ended December 31,	2001	2000
Revenue:		
Oil and natural gas	$ 30,526	$ 31,858
Royalties	(2,304)	(1,860)
Natural gas processing and gathering	175	215
Income from Weyburn Limited Partnership (note 4)	3,104	1,106
	31,501	31,319
Expenses:		
Oil and natural gas operating	10,349	9,600
General and administrative	2,189	1,495
Management fee (note 8)	663	593
Interest on long-term debt	572	1,765
Depletion and amortization (note 3)	7,350	6,307
	21,123	19,760
Net income before income taxes	10,378	11,559
Provision for income taxes (note 2(i))	–	–
Net income	10,378	11,559
Deficit, beginning of year	(32,629)	(44,188)
Deficit, end of year	$ (22,251)	$ (32,629)
Net income per unit, basic (note 2(j))	$ 0.69	$ 0.95
Net income per unit, diluted (note 2(j))	$ 0.67	$ 0.95

See accompanying notes

(thousands of dollars)

Years ended December 31,	2001	2000
Operating Activities:		
Net income	$ 10,378	$ 11,559
Depletion and amortization	7,350	6,307
	17,728	17,866
Changes in non-cash operating working capital	1,067	(477)
	18,795	17,389
Financing Activities:		
Issuance of Trust units	11,497	10,203
Bank loan	21,357	(22,997)
Cash distributions paid to unitholders	(14,957)	–
	17,897	(12,794)
Investing Activities:		
Capital asset additions	(1,152)	(1,738)
Investment in Weyburn Limited Partnership	(123)	(6,060)
Acquisitions of properties, net of divestments	(35,127)	3,300
Reclamation fund contributions	(169)	(64)
	(36,571)	(4,562)
Decrease in bank indebtedness	121	33
Bank indebtedness, beginning of year	(400)	(433)
Bank indebtedness, end of year	$ (279)	$ (400)
Supplemental Information		
Cash income taxes paid	–	–
Cash interest paid	572	1,765

See accompanying notes

(thousands of dollars except for per unit amounts)

Years ended December 31,	2001	2000
Net income	$ 10,378	$ 11,559
Depletion and amortization	7,350	6,307
Cash from operations	17,728	17,866
Capital expenditures not funded by debt	(1,152)	(1,738)
Repayment of debt from cash flow	(2,273)	(15,200)
Reclamation fund contributions (note 5)	(169)	(64)
Current period accruals	1,035	31
Cash distributions	15,169	895
Accumulated cash distributions, beginning of year	27,415	26,520
Accumulated cash distributions, end of year	$ 42,584	$ 27,415
Cash distributed per unit	$ 1.00	$ 0.06

See accompanying notes

Years ended December 31, 2001 and 2000

(Tabular amounts in thousands of dollars except for per unit amounts)

1. **Basis of Presentation**

a) Structure

On October 15, 2001, the Unitholders of Ultima Energy Trust (the "Trust" or "Ultima") approved the change of name from Maximum Energy Trust.

Ultima Ventures Corp. (the "Corporation"), Ultima Ventures Trust ("Ventures Trust") and Ultima Acquisitions Corp. ("Acquisitions Corp.") operate under common management and operate the properties for the benefit of the Unitholders. The financial statements include the accounts of the Trust, and the accounts of its subsidiaries; the Corporation, Ventures Trust and Acquisitions Corp. on a consolidated basis. Inter-entity transactions and balances have been eliminated. The accounts of the Trust also include the Trust's investment in the Weyburn Limited Partnership ("the WLP") as described in note 4 on a cost basis. These consolidated financial statements are prepared following accounting policies generally accepted in Canada.

The Trust is an open-ended, unincorporated investment trust formed under the laws of the Province of Alberta. The beneficiaries of the Trust and Ventures Trust are the Unitholders. Ventures Trust holds oil and natural gas properties with development potential. The Trust acquires an interest in the cash flow generated by these properties in the form of a royalty. The Trust was set up to acquire and hold the royalty and to issue Trust units. The royalty consists of 99 per cent of the net cash flow generated by the underlying properties, less certain expenditures, including capital expenditures and any debt repayments. Pursuant to a subordination agreement entered into on August 9, 2000 and again on December 17, 2001 the banker of Ventures Trust, the Alberta Treasury Branches, has been provided with security over all of the assets of Ventures Trust in priority to the royalty.

2. **Significant Accounting Policies**

a) Joint Interests

Certain oil and natural gas activities are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the Trust's proportionate interest in such activities.

b) Oil and Natural Gas Properties

The Trust follows the successful efforts method of accounting whereby all costs relating to the acquisition and development of oil and natural gas reserves are capitalized. The cost of exploratory wells found to be dry and all other exploration costs are expensed.

Gains and losses are recognized in income during the year in which oil and natural gas properties are sold.

c) Depletion and Amortization

Capital costs of oil and natural gas properties, net of estimated salvage values, are depleted using the unit of production method. These capital costs are depleted based on estimated gross proven oil and natural gas reserves as determined by independent engineers. For purposes of these calculations production of crude oil, natural gas, natural gas liquids and proved reserves are converted to a common unit of measure on the basis of their approximate relative energy content, on the basis of 6,000 cubic feet of natural gas to one barrel of oil equivalent.

d) Future Site Restoration

Estimated future costs of site restoration are provided for over the life of proven reserves on a unit of production basis. Costs are estimated each period by management in consultation with independent engineers using current costs and in accordance with existing legislation and underlying practice. The provision is included with depletion and amortization expense and actual site restoration expenditures are charged to the accumulated provision account as incurred.

e) Ceiling Test

The Trust places a limit on the aggregate carrying value of capital assets, which may be depleted against revenues of future periods (the "ceiling test"). The ceiling test is a cost recovery test whereby the capitalized costs plus the estimated future capital associated with proven undeveloped reserves, less accumulated depletion and amortization and site restoration are limited to an amount equal to the undiscounted future net revenues of the estimated proven reserves.

f) Investment in Weyburn Limited Partnership

The Trust's interest in the WLP is accounted for using the cost method. Pursuant to this method no income with respect to the WLP is recorded in the accounts of the Trust except for cash distributions received or receivable. Cash distributions received or receivable are recorded as a reduction of the investment to the extent that they represent a return of capital. The value of the interest in the WLP is assessed at each balance sheet date to determine whether there has been an impairment in value that is other than a temporary decline, in which case the investment would be written down to reflect the impairment.

g) Hedging Contracts

From time to time the Trust enters into various arrangements to hedge against possible fluctuations in commodity prices, interest rates and exchange rates. Gains or losses from these arrangements, all of which constitute effective hedges, are reported as adjustments to the related revenue or expense accounts as they are settled.

h) Unit-Based Compensation Plan

The Trust has a unit-based compensation plan, which is described in Note 7. No compensation expense is recognized when unit rights or options are issued. Any consideration received by the Trust on exercise of unit rights or options is credited to Unitholders' capital.

i) Income Taxes

The Trust follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Trust's corporate subsidiaries and their respective tax base, using enacted income tax rates. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the period in which the change occurs. Temporary differences arising on acquisitions result in future income tax assets and liabilities.

The Trust is a taxable entity under the Income Tax Act (Canada) and is taxable only on income that is not distributed or distributable to Unitholders. As the Trust either distributes all of its taxable income to the Unitholders, or has sufficient tax basis to shelter its taxable income and meets the requirements of the Income Tax Act (Canada) applicable to the Trust, no provision for income taxes has been made in the Trust.

j) Weighted Average Number of Units Outstanding

Effective the first quarter of 2001, the Trust retroactively adopted new recommendations of the Canadian Institute of Chartered Accountants for the computation, presentation and disclosure of earnings per unit, the effect of which is not material. Under the revised standards, the treasury stock method is used instead of the imputed earnings approach for determining the dilutive effect of "in the money" options, rights and other dilutive instruments issued. Prior period per unit amounts have been restated for this change. The basic and diluted calculations presented in the financial statements are based on the following weighted average units outstanding:

	2001	2000
Basic	**15,090,000**	12,214,000
Diluted	**15,372,000**	12,324,000

3. **Capital Assets**

Oil and Natural Gas Properties	Cost	Accumulated Depletion and Amortization	Net Book Value
2001	**$ 182,180**	**$ 85,187**	**$ 96,993**
2000	$ 145,888	$ 78,582	$ 67,306

Estimated future capital costs, net of estimated salvage values included in the 2001 depletion and amortization calculation were $6,492,000 (2000 – nil).

On December 17, 2001, Ultima announced it had closed the purchase of two oil producing properties in central Alberta with a combined working interest of 93 per cent, for total cash consideration of $35 million, before purchase price adjustments.

The acquisition was funded by the issuance of 3.4 million Trust units (see note 7) for gross proceeds of $11.9 million, and the balance from an increase in the banking facility.

4. **Weyburn Limited Partnership**

Effective November 1, 2000, the Trust acquired a 92 per cent interest in the WLP in a transaction involving the sale to the WLP for $3.3 million of the Trust's Plato oil producing property and the investment of the proceeds of sale in the WLP. The remaining investment cost represents costs relative to the transaction of $2.9 million. The capital assets of the WLP are comprised of the Plato property, the Ferrybank oil producing property acquired from another partner and an 11.7 per cent net royalty interest ("NRI") in the Weyburn Unit. The NRI was acquired by the WLP from PanCanadian Resources, a partner in the WLP in consideration for a note payable for $77.8 million (currently $71.9 million). The note payable is a non-recourse instrument with respect to the Trust's assets held outside of the WLP.

The WLP note payable bears interest at 7.5 per cent per annum payable monthly, with minimum principal repayments required annually in the amount of $5.5 million, with the remaining balance being payable no later than June 30, 2003. The WLP is required to pay funds into a cash security account to be used for repayment of the note to the extent of 59 per cent of the monthly NRI payment paid to the WLP after deduction of interest payments and certain direct general and administrative costs ("the adjusted net royalty payment"). The remaining 41 per cent of the adjusted net royalty payment received by the WLP is included in the cash distributable by the WLP to the partners on a monthly basis, subject to the minimum quarterly note principal repayments being made first. The WLP is permitted to make principal repayments in excess of the minimum repayments required at its discretion. The note is secured by a floating charge over all of the assets of the WLP including the cash security account.

The Trust is permitted at its own discretion, to make additional contributions to the WLP for purposes of complying with the note repayment schedule. The loan agreement provides that in the event of a default on the note repayment schedule and in certain other circumstances, the WLP will receive the excess of 98 per cent of the fair market value (based on the evaluation of independent engineers) of the NRI less costs of realization, over the principal and accrued interest amount outstanding at that date. The WLP and each of the partners have the right to redeem their respective partnership interests at any date subsequent to the note being fully repaid.

The NRI revenue payment is reduced by a deferred capital costs charge, calculated in accordance with the agreement. This reduction will commence on January 1, 2003, at which time the deferred balance is expected to be $18,778,000. Further, the NRI will be reduced for the WLP's 11.7 per cent share of capital costs and carbon dioxide purchases, at the earlier of when the deferred capital costs are $18,778,000, or December 31, 2002. At December 31, 2001 the WLP's share of capital costs that has been deferred in accordance with the agreement was $10,660,000. This amount plus interest accretion of $699,000 has been recorded as a long-term obligation of the WLP. The deferred capital and the deferred capital charge are only payable out of future income from the NRI.

Summary financial statements of the WLP (100 per cent interest) from inception to the period ended December 31, 2001 are as follows:

Weyburn Limited Partnership Balance Sheet

As at December 31,		2001
ASSETS		
Cash	$	1
Cash security account		468
Accounts receivable		2,271
Prepaid expenses		43
		2,783
Net royalty interest		89,159
Other capital assets		4,476
Accumulated depletion and amortization		(6,786)
Capital assets, net		86,849
Total Assets	**$**	**89,632**
LIABILITIES and PARTNERS' EQUITY		
Liabilities		
Accounts payable	$	1,711
Current portion of note payable		5,500
		7,211
Promissory note payable		66,377
Provision for site restoration		120
Deferred capital obligation		11,359
Partners' Equity		
Partnership capital		3,587
Accumulated earnings		978
Total Liabilities and Partners' Equity	$	89,632

Weyburn Limited Partnership Statement of Cash Distributions

The calculation of the Trust's share of the distributable income from the Weyburn Unit NRI and the Plato and Ferrybank properties is provided below:

	As at 2001	2000 Period Oct. 31 to Dec. 31
Weyburn Unit NRI		
Weyburn Unit NRI revenue	$ 15,321	$ 3,348
Interest on promissory note payable	(5,660)	(995)
Weyburn Unit management fees (note 8)	(498)	(108)
Adjusted net royalty payment	9,163	2,245
Amount designated for debt repayment – 59% of adjusted net royalty payment	(5,406)	(1,325)
Debt repayment top up to minimum quarterly repayment	(395)	(50)
Cash available for distribution from Weyburn Unit NRI (1)	3,362	870
Plato and Ferrybank		
Net oil and gas revenues	2,881	492
Operating expenses	(1,411)	(133)
Capital expenditures	(728)	–
Management fees (note 8)	(24)	(12)
Cash available for distribution from Plato and Ferrybank (2)	718	347
Cash available for distribution before general and administration costs (1)+(2)	4,080	1,217
General and administrative costs	(706)	–
Total cash available for distribution	3,374	1,217
Distribution to partners prior to the Trust's acquisition	–	(15)
Distributions available to the Trust's interest	3,374	1,202
Trust's share – 92%	$ 3,104	$ 1,106

The general and administrative expenses of $706,000 (nil in 2000) were paid to Ultima Management Inc. ("UMI") as a reimbursement of direct and indirect general and administrative costs, in accordance with the management contract.

The WLP has entered into a crude oil hedge arrangement with PanCanadian Energy Corp. (formerly PanCanadian Petroleum Ltd.), an affiliate of PanCanadian Resources, the managing partner and 7.98 per cent limited partner of the WLP. For 2001, 1,800 barrels per day of oil were sold forward at a fixed price of CDN $41.38 per barrel. For the period January 1, 2002 to June 30, 2002 1,800 barrels per day have been sold forward at a fixed price of CDN $37.18 per barrel. The WTI basis for the hedges was approximately US $27.50 per barrel and US $24.50 per barrel for 2001 and 2002 respectively. Gains or losses from the commodity price hedge activities are reported as adjustments to the related revenue accounts when settled. As at February 13, 2002, the fair value of the commodity price hedge arrangements was a gain of $1.1 million. This unrealized hedging gain has not been recorded in the financial statements.

5. **Reclamation Fund**

Funds have been deducted from cash distributions to Unitholders to provide for the future cost of abandonments and reclamation work on wells, plants and facilities. The amount of the contribution for 2001 was $0.20 per boe of production (2000 – $0.08 per boe).

	2001	2000
Reclamation fund, beginning of year	$ 303	$ 239
Contributions	169	64
Reclamation fund, end of year	$ 472	$ 303

6. Bank Loan

	2001	2000
Bankers' acceptance notes	$ 25,000	$ 7,000
Revolving line of credit	4,290	933
	$ 29,290	$ 7,933

Pursuant to a loan agreement dated December 17, 2001, Ventures Trust has a revolving production loan facility with a maximum limit of $34,000,000.

The loan bears interest at bank prime plus 1/2 per cent and is secured by a $50,000,000 floating charge debenture over all the assets and undertakings of Ventures Trust. The credit facilities are subject to an annual review on May 31 and have a demand feature; however, repayments are not required provided that borrowings are not in excess of the borrowing base and the Trust has complied with all other existing loan covenants.

Pursuant to a subordination agreement entered into on December 17, 2001, Ventures Trust's banker has been provided with security over all of the assets of Ventures Trust in priority to the royalty payable to the Trust. The bank loan is the legal obligation of Ventures Trust. Principal and interest payments are deducted in the calculation of cash available for distribution to Unitholders. In the event that Ventures Trust's properties do not generate sufficient income to discharge its obligation, the Unitholders of the Trust will have no direct liability.

7. Unitholders' Capital

In December, 2001 the Trust issued 3,400,000 Trust units at $3.50 per unit for net proceeds of $11,100,000.

a) Authorized

Unlimited number of Trust units

b) Issued

	2001		2000	
	Number of Trust Units	Value	Number of Trust Units	Value
Balance, beginning of year	14,917,142	$ 122,817	12,000,000	$ 112,614
Issued for cash, net of costs	3,400,000	11,058	2,857,142	10,000
Issued on exercise of options	130,000	439	60,000	203
Balance, end of year	18,447,142	$ 134,314	14,917,142	$ 122,817

Trust units are retractable at any time on demand by the holders thereof at a price based on an established formula. The aggregate cash redemption price payable by the Trust during any calendar month shall not exceed $100,000 provided that such limitation may be waived at the discretion of the Board of Directors of the Corporation (the trustee for Ventures Trust) and Ultima Acquisitions Corp. If a Unitholder is not entitled to receive cash upon the redemption of Trust units as a result of the foregoing limitations, then the redemption price for such Trust units shall be the fair market value thereof as determined by the Board of Directors of the Corporation and Ultima Acquisitions Corp. and shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie of the Trust's interests in Ventures Trust and Ultima Acquisitions Corp., a corporation as yet inactive, incorporated for the purpose of holding future acquired corporate shares and facilities.

c) Trust Unit Options

	2001 Number of Options	2000 Number of Options	Exercise Price Per Unit
Beginning Balance	240,000	–	
Issued during the year	–	300,000	$ 3.38
Less: Exercised during the year	130,000	60,000	$ 3.38
Ending Balance	110,000	240,000	$ 3.38

During 2000 the Trust issued, to each of the five directors, options to purchase 60,000 units of the Trust. One third of the options vest one year after the date the options were granted and the remaining options vest in two equal amounts on the next two anniversary dates, July 13, 2002 and July 13, 2003. Should the options remain unexercised they will expire on the 10th anniversary date, July 13, 2010. Under certain conditions the options will vest in advance of the time periods specified, these conditions were satisfied and all the options issued pursuant to this plan were vested in 2001.

d) Trust Unit Rights Compensation Plan

A Trust Units Rights Compensation Plan (the "Plan") was established in 2001. The Trust is authorized to grant up to 1,501,714 rights to the employees of Ultima Management Inc. (the "Manager" or UMI), and the Trust's directors to purchase Trust units, as a form of long-term performance incentive. The rights granted pursuant to the plan may not be granted at a price that is less than the prevailing market price of the Trust units at the time of the date of the grant, and the maximum term of each right may not exceed 10 years.

The exercise price of each right is to be adjusted downwards from time to time by the amount, if any, that distributions less the WLP income in any calendar quarter exceeds a percentage of 2.5 per cent of the Trust's net book value of capital assets, as determined by the Trust.

During the year, the Trust granted 1,310,000 rights to employees of the Manager and the Trust's directors to purchase Trust units at a price of $4.40 per unit. Rights granted pursuant to the Plan have a 10-year term and vest equally over three years, commencing the first anniversary date of the grant.

A summary of the rights issued and outstanding pursuant to the Plan is as follows:

	Number of Rights		Weighted Average Exercise Price
Balance, beginning of year	–	$	–
Granted	1,310,000		4.40
Exercised	–		–
Cancelled	–		–
Balance before reduction in exercise price	1,310,000		4.40
Reduction of exercise price	–		(0.06)
Balance, end of year	1,310,000	$	4.34

8. Related Party Transactions

The Board of Directors of the Corporation, and the trustee of Ventures Trust, has the authority and responsibility to make or approve most significant decisions affecting the Trust and its subsidiaries. UMI, pursuant to a management agreement, provides management, advisory and administrative services to the Trust, its subsidiaries and affiliated entities. Further, UMI provides day to day administration services to the WLP, pursuant to an administration services agreement.

During 2001 UMI was paid $663,000 (2000 – $41,000 and $552,000 to the previous manager) in return for these services plus $525,000 (2000 – NIL to UMI and $824,000 to the previous manager) in acquisition fees.

UMI also provides the same services and is paid a management fee by the WLP. During 2001, the WLP paid $522,000 (2000 – $120,000) for these services. UMI also holds a 0.008 per cent interest in the WLP.

9. Financial Instruments

Financial instruments of the Trust include accounts receivable, cash distributions, accounts payable, bank indebtedness, and the bank loan. There are no significant differences between the carrying value of these amounts and their estimated fair value.

Substantially all of the Trust's accounts receivable are due from customers in the oil and gas industry, and are subject to normal industry credit risks. The carrying value of the accounts receivable reflects management's assessment of the associated credit risks.

The Trust utilizes a variety of derivative instruments to reduce its exposure to changes in commodity prices. The fair values of these derivative instruments are based on an estimate of the amounts that would have been received from or paid to counterparties to settle these instruments prior to maturity.

The Trust is exposed to losses in the event of default by the counterparties to these derivative instruments. The Trust manages this risk by dealing only with financially sound counterparties.

During 2001, the Trust entered into costless collar arrangements for 1,400 barrels of crude oil per day. For the period January 1, 2001 through June 30, 2001 the arrangement consisted of the purchase of put options that ensure a minimum price of US $21.00 per barrel per day financed by the sale of call obligations that set a maximum price of US $30.00 per barrel per day. For the period July 1, 2001 through December 31, 2001 the arrangement consisted of the purchase of put options that ensured a minimum price of US $21.00 per barrel per day financed by the sale of call obligations, which set a maximum price of US $30.05 per barrel per day. A hedging gain of $198,000 was recorded in 2001 (2000 – a hedging loss of $3,423,000)

The Trust has entered into a variety of crude oil commodity price hedge arrangements for 2002 as summarized below:

	Daily Quantity	Floor Price $US	Ceiling Price $US	Price Index	Term
Crude oil fixed price contracts	1,100 bbls	21.62	21.62	WTI	Calendar 2002
Crude oil collared contracts	600 bbls	19.25	22.60	WTI	Calendar 2002
Crude oil collared contracts	300 bbls	19.25	22.00	WTI	Calendar 2002

As at February 13, 2002 the fair value of the commodity price hedge arrangements was a gain of $281,000. This unrealized hedging gain has not been recorded in the consolidated financial statements.

10. Subsequent Event

On January 29, 2002, the Trust issued 350,000 Trust Units at $4.30 per unit.

The funds received from the offering, net of costs, totalled $1.4 million.

11. Contingencies

The Trust is involved in litigation and claims associated with normal operations and is of the opinion that any resulting settlements would not materially affect its financial position or reported results of operations.

Financial

($ thousands except per unit amounts)	2001	2000	1999	1998	1997
Revenue, net of royalties	**28,397**	30,213	20,194	20,376	27,888
Weyburn Limited Partnership income	**3,104**	1,106	–	–	–
Expenses excluding depletion and amortization	**13,773**	13,453	13,891	13,731	13,204
Funds from operations	**17,728**	17,866	6,303	6,645	14,684
Per unit	**1.17**	1.47	0.53	0.55	1.22
Net income	**10,378**	11,559	1,309	(53,527)	4,326
Per unit	**0.69**	0.95	0.11	(4.46)	0.36
Cash distributions	**15,163**	895	–	5,520	13,200
Per unit	**1.00**	0.06	–	0.46	1.10
Capital asset additions	**1,152**	1,738	336	1,390	19,702
Per unit	**0.08**	0.14	0.03	0.12	1.64
(Increase)/repayment of debt	**(21,357)**	22,997	8,865	200	663
Per unit	**(1.42)**	1.89	0.74	0.02	0.06
Long-term debt	**29,290**	7,933	–	39,189	38,838
Net working capital	**(919)**	235	(30,310)	44	(4,594)
Unitholders' equity at year end	**69,479**	62,773	41,906	40,597	99,644
Per unit	**4.60**	4.21	3.49	3.38	8.30
Units outstanding at end of year (000s)	**18,447**	14,197	12,000	12,000	12,000

Commodity Prices Received

Oil ($/bbl)	**36.02**	43.64	27.44	19.30	27.12
Oil, including hedge ($/bbl)	**36.30**	38.81	23.23	18.98	26.76
Natural gas liquids ($/bbl)	**30.11**	33.50	17.06	12.67	18.09
Natural gas ($/mcf)	**6.01**	4.85	2.75	1.96	1.48

Sales Volumes

Oil (bbl/d)	**1,941**	1,935	2,072	2,590	2,700
Natural gas liquids (bbl/d)	**51**	60	74	85	109
Natural gas (mcf/d)	**1,928**	2,023	2,316	2,841	3,135
Combined (boe/d)	**2,313**	2,332	2,531	3,149	3,332
Rates of increase (decline)	**(0.8%)**	(7.9%)	(19.6%)	(5.5%)	(9.9%)

Unit Trading

High	**5.17**	4.40	3.00	8.00	11.55
Low	**3.65**	2.05	0.92	1.42	5.60
Close	**4.20**	3.93	2.25	1.65	7.75
Volume	**8,293,889**	7,391,981	5,268,783	5,354,691	7,010,797

Directors of Ultima Ventures Corp. and Ultima Acquisitions Corp.

Marshall M. Williams [1,3]
Chairman of the Board

Mr. Williams is a former Chairman of the Alberta Treasury Branches. He has also served as Chairman of the Board and a Director of TransAlta Corporation, a public utility, and as a director of Stelco Inc. and Sun Life Assurance.

S. Brian Gieni [2]
Director

Mr. Gieni is a finance and accounting professional with 28 years of experience in senior management roles with major energy and service companies in the oil and gas industry.

John M. Gunn [1,2]
Director

Mr. Gunn is a professional engineer who has been involved as a principal in private and public oil and gas companies. He co-founded and was President, CEO, and Director of Ballistic Energy Corporation, and also co-founded and was a Chairman and Director of Renata Resources Inc.

Arthur E. Dumont [1,2,3]
Director

Mr. Dumont is Chairman, President and CEO of Cancoil Integrated Services Inc. He also has worked in senior roles at CenAlta Energy Services, Western Rock Bit Company, Precision Drilling, Kenting Energy Services and Trimac Limited.

Gary Lee [1,3]
Director

Mr. Lee is a lawyer with more than 20 years of experience in oil and gas related matters and is a partner with White Pass Capital Inc.

Officers of Ultima Management Inc., Ultima Ventures Corp. and Ultima Acquisitions Corp.

S. Brian Gieni
President and Chief Executive Officer

Ken G. Pinsky
Chief Financial Officer

Mr. Pinsky is responsible for all financial and accounting matters for the Trust. He is a Chartered Accountant and a Chartered Financial Analyst with more than 14 years experience in oil and gas acquisitions and divestitures, business planning, restructuring, financial accounting and reporting.

Michael P. Wihak
Chief Operating Officer

Mr. Wihak is responsible for all engineering and operations matters for the Trust. He is a professional engineer with a Masters Degree in business administration and 15 years of experience in managing producing properties, oil and gas acquisitions and divestitures, corporate planning and exploitation.

1 Member of the Audit Committee
2 Member of the Reserve Committee
3 Member of the Compensation Committee

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Related Entities

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Ultima Ventures Trust
Ultima Ventures Corp.

Auditors

Arthur Andersen LLP
Chartered Accountants
Calgary, Alberta

Legal Counsel

Bennett Jones LLP
Calgary, Alberta

Consulting Engineers

McDaniel & Associates Consultants Ltd.
Petroleum Consultants
Calgary, Alberta

Gilbert Laustsen Jung Associates Ltd.
Calgary, Alberta

Trustee/Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Trust Units: "UET.UN"

Abbreviations

API	American Petroleum Institute
ARTC	Alberta Royalty Tax Credit
boe	Barrels of Oil Equivalent (6,000 cubic feet of natural gas being equivalent to one barrel of oil)
bbl	Barrel of oil or natural gas liquids
mbbl	Thousands of barrels of oil or natural gas liquids
mcf	Thousands of cubic feet
mmcf	Millions of cubic feet
WTI	West Texas Intermediate
NGL	Natural Gas Liquids

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